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Supreme Court, U.S.
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No._____

IN THE

Supreme Court of the United States

Fin Control Systems Pty, Ltd.,
Petitioner,

v.

Surfco Hawaii,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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PETITION FOR WRIT OF CERTIORARI

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Questions Presented For Review

1. Whether the scope of the implied license to repair a patented combination includes, as held by the Federal Circuit, the right to replace parts that are in good working order, despite the historical limitation of the implied license of repair to the replacement of broken or worn parts as enunciated by this Court in *Wilson v. Simpson*, 50 U.S. (9 How.) 109 (1850) and *Aro Manufacturing Co. v. Convertible Replacement Top Co.*, 365 U.S. 336, 81 S. Ct. 599 (1961)?

2. Whether a patentee's statutory rights under 28 U.S. C. §§ 271 (c) and (d) to control the sale of nonstaple parts for patented combinations as confirmed by this Court's decision in *Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S. 176, 100 S. Ct. 2601 (1980) was erroneously restricted by the appeal court's expansion of the scope of the implied license of repair to permit the replacement by third parties of such parts when they are not in need of repair?

Corporate Disclosure Statement

Petitioner, Fin Control Systems Pty, Ltd., does not have a parent corporation, and no publicly held company owns 10% or more of its stock.

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Citations of Reports of Opinions and Orders

The district court's opinion granting summary judgment of infringement to Petitioner is not reported. The district court's opinion is set forth in Appendix A.

The opinion of the Federal Circuit Court of Appeals is unofficially reported at 2001 U.S. App. Lexis 19613 (September 5, 2001). The court of appeals' opinion is set forth in Appendix B.

Statement of Jurisdiction

This is a patent case in which the original subject matter jurisdiction of the district court was based on 28 U.S.C. §§ 1331, 1332 and 1338(a). With the grant of summary judgment of infringement on February 2, 2001, and the entry of a permanent injunction on April 21, 2001, the action was final except for an accounting. Respondent, Surfco Hawaii, timely filed its notice of appeal on April 28, 2001, pursuant to 28 U.S.C. § 1292(c)(2).

The Federal Circuit Court of Appeals entered its judgment on September 5, 2001. A combined petition for rehearing and rehearing en banc was timely filed on September 19, 2001, pursuant to Rules 35(c) and 40(a)(1) of the Federal Rules of Appellate Procedure. The court of appeals denied the combined petitions on October 12, 2001. This petition was timely filed on or before December 4, 2001, 90 days after the entry of the Federal Circuit's judgment, pursuant to 28 U.S.C. § 2101(c) and Supreme Court Rule 13.

Statutes Involved

This petition involves 35 U.S.C. §§ 271 (c) and (d). Those sections provide:

(c) Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement; (4) refused to license or use any rights to the patent; or (5) conditioned the license of any rights to the patent or the sale of the patented product on the acquisition of a license to rights in another patent or purchase of a separate product, unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product on which the license or sale is conditioned.

Statement of the Case

Petitioner, Fin Control Systems Pty, Ltd. ("Fin Control"), is an Australian company that owns several U.S. patents relating to removable fin systems for surfboards and other watercraft. Fin Control markets a removable fin system that embodies the inventions of these patents that has enjoyed substantial commercial success. The patented combination includes a surfboard, mounting plugs that are fitted into the surfboard, fins with tabs that fit into the mounting plugs, and grub screws inserted into the plugs that press against the tabs to hold the fins into the plugs and onto the surfboard. The patented combination allows fins to be easily installed and removed from surfboards to avoid fin breakage during transportation, and to be changed as surfing conditions vary, thereby altering the performance of the surfboard. The fins are "nonstaple" parts of the combination, that is, there is no substantial non-infringing use outside of their use as part of the combination.

Respondent, Surfco Hawaii ("Surfco"), is an Hawaiian company that markets various surfing products including fins that are compatible with the unique Fin Control mounting system. Surface's fin is designed with a rubber edge for a purported increase in safety if a surfer is accidentally hit by the edge of a fin while surfing.

Following Fin Control's notice to Surfco that its sales of compatible fins was an infringement of Fin Control's patents, on July 13, 1998, Surfco filed a complaint for a declaratory judgment of non-infringement in the District of Hawaii. In early 1999, Surfco then filed two motions for summary judgment on the basis that its fins were not infringing and, if they were, their sale came within the scope of the repair doctrine. Fin Control cross-moved for summary judgment of infringement. The district court denied Surface's motions and granted Fin Control summary

judgment of infringement. (The district court's opinion is reprinted in Appendix A ("App. A__")). It rejected Surfco's argument that the replacement of a single element of a combination designed to be replaced constitutes "repair" regardless whether the element is spent on the basis that an owner may improve the combination at his or her discretion to obtain desired results. App. A4-5. The district court held that the requirement of "spentness" is relevant to determining the existence of repair. Because the Surfco fin was being sold as an alternative to the Fin Control fin, the district court held that the replacement of an unworn component of a patented combination was an impermissible reconstruction. App. A7.

On April 28, 2000, Surfco appealed to the Federal Circuit Court of Appeals which reversed the district court's judgment on the basis that the use of Surfco fins to replace Fin Control fins in good working condition was a "permissible modification" within the scope of the repair doctrine. (The opinion of the court of appeals is reprinted in Appendix B ("App. B__")).

After properly stating the general rule that the ownership of a patented article does not include the right to create a substantially new article but does include the right to preserve its useful life and correctly observing that the concept of permissible repair is directed primarily to the replacement of broken or worn parts (App. B5), the court of appeals erroneously held that permissible repair also includes replacement of parts that are neither worn nor broken. In reaching that conclusion, the court of appeals mistakenly relied upon one of its earlier decisions in which the replacement of sleeves in a medical device that were not spent—a "premature repair"—was approved as a repair. App. B5-6.

It also mistakenly relied upon two inapposite cases; one decided by this Court and one of its own, that approved conduct found to be "kin to repair." In one case, in the process of repairing a used fish-canning machine, it was resized to handle smaller cans. In the other, a purchaser modified a new ink cartridge so that it could be refilled. App. B6.

In rejecting Fin Control's argument that permissible repair required the existence of a broken or worn part, the court of appeals held that "infringement liability depends on the extent of the change, not its purpose." App. B6. In essence, the court concluded that a purchaser may repair or improve a patented article until it is worn out as long as there is not a reconstruction of the article as to "in fact make a new article." App. B7, citing *Mitchell v. Hawley*, 83 U.S. (16 Wall.) 544, 548 (1872) and *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 346, 81 S. Ct. 599 (1961) (*Aro I*).

Finally, addressing Fin Control's argument that permissible repairs must extend the useful life of the patented article, the court of appeals held, without citation of any supporting authority and contrary to the precedent of this Court, that "[a]lthough extension of the useful life of an article is the usual reason for modification or replacement of component parts, it is not the only reason allowed by law." App. B7. It then concluded that replacement of Fin Control's fins by Surfco's fins did not recreate the patented combination even when the new fins were specially adapted for use in the patented combination. App. B7.

On that basis, the court of appeals reversed the district court's grant of summary judgment of infringement and entered judgment for Surfco.

SUMMARY OF ARGUMENT

In a matter of substantial commercial importance to the owners of combination patents who sell replacement parts for their patented products, the court of appeals has, for the first time, opened the door for third parties to sell replacement parts for patented combinations despite the existence of statutory prohibitions of 35 U.S.C. §§ 271(c) and (d) that define such conduct as contributory infringement. Ignoring the precedent of this Court and its own precedent, the Federal Circuit held that it is not a "making" or reconstruction of a patented combination for the purchaser of a combination to replace its unique or nonstaple parts that are not in need repair, and that such replacement of parts comes within the scope of the implied license of repair conveyed with the sale of a patented article.

This erroneous decision grants sweeping new rights to makers and sellers of replacement parts. Prior to the court of appeal's decision, under the repair doctrine articulated by this Court in its 1961 decision in *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 81 S. Ct. 599 (1961) (*Aro I*), sellers of replacement parts were limited to sales to be used for the repair of broken or worn parts of patented combinations. Under the Federal Circuit's unjustified expansion of the repair doctrine, it is no longer necessary for the replaced part to be broken, worn or otherwise in need of repair. Rather, a seller may now sell parts to "modify" the combination without regard to the condition of the replaced parts.

In effect, the Federal Circuit has opened an entirely new market for replacement parts that is contrary to the rights of the owner of a patented combination to control the sale of the nonstaple parts of that combination as explicitly provided for in 35 U.S.C. §§ 271(c) and (d), as confirmed by

this Court's decision in *Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S. 176, 100 S. Ct. 2601 (1980).

The decision is also contrary to this Court's "plain and practical" test for the application of the repair doctrine, i.e., whether a part is "spent" and, therefore, needs to be replaced. *Aro I*, 365 U.S. at 343, 346.

Because the Federal Circuit's erroneous decision in this case denigrates the statutory rights granted to owners of patented combinations by 35 U.S.C. §§ 271(c) and (d), and grants commercially sweeping new rights to sellers of replacement parts in the guise of "permissive modification" contrary to well-established repair doctrine prerequisite of a broken or worn part needing replacement, petitioner, Fin Control Systems Pty, Ltd., respectfully requests this Court to grant review to correct its decision and restore the proper balance between patent holders under section 271 and the limited right to repair granted to owners of patented combinations.

REASONS FOR GRANTING THE WRIT

I. THE FEDERAL CIRCUIT'S EXPANSION OF THE REPAIR DOCTRINE TO INCLUDE "PERMISSIBLE MODIFICATION" IMPROPERLY PERMITS THE REPLACEMENT OF PARTS NOT IN NEED OF REPAIR

In holding that the owner of a patented combination may freely modify it without regard to the condition or nature of the replaced parts, the Federal Circuit's decision abandons the basic principles of the repair doctrine, that the right to repair results from an implied license to maintain a patented combination, and that repair is authorized when a part is broken or worn out and needs to be repaired or replaced.

In the seminal decision of *Wilson v. Simpson*, 50 U.S. (9 How.) 109 (1950), the Supreme Court held:

> [I]t is "the use of the whole" of the combination which a purchaser buys, and that repair or replacement of the worn-out, damaged or destroyed part is but an exercise of the right "to give duration to that which he owns, or has a right to use as a whole."

Aro I, 365 U.S. at 342-43, quoting *Wilson*, 50 U.S. (9 How.) 109 (1850) (emphasis added). The Court then stated that the "distilled essence" of the *Wilson* case was stated by Judge Learned Hand in *United States v. Aluminum Company of America*, 148 F.2d 416, 425 (2d Cir. 1945): "The [patent] monopolist cannot prevent those to whom he sells from . . . reconditioning articles worn by use, unless they in fact make a new article." The Court labeled this description of the repair doctrine as the "plain and practical" test to be applied to determine the existence of the defense. *Aro I*, 365 U.S. at 343.

Thus, the test to be applied to determine if a repair has occurred is whether the owner of the patented combination was "reconditioning articles worn by use." Only if the owner is repairing or replacing articles worn or broken by use does the defense apply. *Aro I*, 365 U.S. at 346.

The Federal Circuit's decision also mistakenly interprets this Court's precedent to permit the free replacement of parts unless the combination as a whole is "spent." Having failed to apply the first criteria for the existence of repair, the decision then concludes that all replacement or modification is permissible unless the combination is "spent." This conclusion ignores the reasons underlying the holding in *Aro I*.

The very foundation or essence of the repair doctrine is the right to give duration to the patented combination until the combination is "spent," that is, to repair the combination for the duration of its life. *Aro I*, 365 U.S. at 342-43. As long as the combination, as a whole, has not become spent, an owner may repeatedly replace broken or worn parts.

> Mere replacement of individual unpatented parts, one at a time, whether of the same part repeatedly or different parts successively, is no more than the lawful right of the owner to repair his property.

356 U.S. at 346. Once the combination is "spent," replacement of parts is considered an impermissible "reconstruction." *Aro I*, 365 U.S. at 346. Thus, the concept of "spentness" of the combination is an outside limit on permissible repair beyond which an impermissible reconstruction occurs.

Contrariwise, the concept of "spentness" of the combination has no applicability to the situation where unworn parts are being replaced because the *sine qua non* of the repair doctrine is the replacement of broken and worn parts. Otherwise, the repair doctrine would give an unfettered license to replace any part for any reason for the entire life of the patented combination. Neither this Court's precedent nor existing statutory authority justify such an interpretation.[1]

Consequently, the Federal Circuit's decision erroneously dispenses with the "repair" criteria and establishes a new rule of "permissible modification" that

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[1] See Section II, below, which demonstrates that the Federal Circuit's decision is contrary to the rights granted to a combination patent owner by 35 U.S.C. § 271(c) and (d).

allows any and all replacement of parts. In effect, its new rule swallows the limited license to repair previously granted to owners of patented combinations, and permits wholesale replacement of parts without any reference to their condition, in derogation of the patentee's rights to control the sale of the nonstaple parts of a patented combination under 35 U.S.C. §§ 271(c) and (d).

The error in the Federal Circuit's decision and the wide-ranging adverse implications of its new "rule" are as follows.

A. The Federal Circuit Erroneously Predicated Its Decision On *Mitchell v. Hawley*

In holding that an owner "may use, repair and modify the device as long as there is not 'reconstruction of the entity as to "'in fact make a new article,"'"—with implied emphasis on the term "modify"—the Federal Circuit erroneously relied upon this Court's decision in *Mitchell v. Hawley*, 83 U.S. (16 Wall.) 544 (1872). Although that case did not directly involve a repair issue but addressed whether a sublicense to use a patented machine was effective during the extended term of the patent, it voiced what would later be labeled the first sale-exhaustion doctrine[2] when it stated in dicta that

> [W]here the sale [of the patented machine] is absolute, and without any conditions, the rule is well settled that the purchaser may continue to use the implement or machine purchased until it is

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[2] The now long-established first_sale-exhaustion doctrine that an authorized sale of a patented product exhausts the patent monopoly as to that product, and that a purchaser may then use or resell the product free of control or conditions imposed by patent owner, was first articulated in *Adams v. Burke*, 84 U.S. (17 Wall.) 453, 456-57 (1873); *Keeler v. Standard Folding-Bed Co.*, 157 U.S. 659, 662 (1895).

> worn out, or he may repair it or improve upon it as he pleases, in the same manner as if dealing with property of any other kind.

83 U.S. at 548. Based upon this statement, the Federal Circuit then mistakenly concluded that *Mitchell* supports the holding that "The right of 'repair' follows from the exhaustion of a patentee's right to control the disposition of a patented article after it has been sold." App. B5.

While it is true that the repair doctrine is based upon the first sale-exhaustion doctrine, as held in the earlier *Wilson v. Simpson* decision, that is, a patentee may not exercise its patent monopoly to prevent the repair of patented article, the first sale-exhaustion doctrine does not answer the question here at issue: whether the replacement of a nonstaple part of a patented combination—which is not in need of repair—constitutes a "making" of the patented combination that transgresses the rights of the patentee. In essence, the Federal Circuit reasoned that since a patentee exhausts its rights to control a patented article once it has been sold, a purchaser a purchaser is free to do as he pleases with the article. But this reasoning goes too far because there are limits to a purchaser's rights. A purchaser is given only the right to use (including repair) and the right to resell. It may not "make" or "reconstruct" the patented article.

The limits on a purchaser's rights to deal with the patented combination have been addressed in this Court's decisions in *Aro I* and *Wilbur-Ellis v. Kuther*, 377 U.S. 422, 84 S. Ct. 1561 (1964), and described the scope of legitimate repair. The Federal Circuit's reliance on the *Mitchell* was misplaced.

B. The Federal Circuit's Decision Exceeded The Bounds of Legitimate Repair Permitted Under This Court's Precedent

The Federal Circuit's decision also misapplied the holding in *Aro I* to justify its expansion of the scope of legitimate repair to include the replacement of parts in good working condition. *Aro I* involved the replacement of worn-out convertible tops that were part of a patented combination. The decision addressed the question whether the repair was permissible or was a contributory infringement by the supplier of the canvas material used in the repair. In holding that the repair of the worn canvas top was within the right of the purchaser, the Court held that "maintenance of the 'use of the whole' of the patented combination through replacement of spent, unpatented element does not constitute reconstruction." *Aro I*, 365 U.S. at 346. This holding requires the repair involve the replacement of a "spent" part to maintain the 'use of the whole' combination. Nothing in the holding in *Aro I* permits the replacement of parts that are not "spent." The *Aro I* decision simply did not address or authorize the replacement of unworn parts, not needing repair, under the guise of the repair doctrine.

Mistakenly, the Federal Circuit relies upon *Aro I* to justify its holding that a purchaser may "modify" a patented article "as long as there is not 'reconstruction of the entity as to "in fact make a new article."'" App. B5. Because *Aro I* and the decisions it relies upon, *Wilson v. Simpson* and *Aluminum Company of America*, authorize replacement of parts only when they are worn or broken, neither their theoretical nor their factual context permit a purchaser to replace parts that are not in need of repair.

Consistent with *Wilson*, *Aro I* held that "Mere replacement of individual unpatented parts, one at a time, whether of the same part repeatedly or different parts

successively, is no more than the lawful right of the owner *to repair his property.*" *Aro I*, 365 U.S. at 346 (emphasis added).

While the court of appeal's decision also relies upon *Aro I* for the proposition that a "reconstruction of a patented entity, comprised of unpatented elements, is limited to such a true reconstruction of the entity as to 'in fact make a new article,' after the entity, viewed as a whole, has become spent. . . ." App. B5, that holding must, of necessity, only apply to the time when a true repair is no longer permissible, that is, when the patented combination, as a whole, has become spent. It does not, and cannot, mean that the replacement of parts can occur for any reason until the combination, as a whole, has become spent. If so, there would be little need for the repair doctrine and the decisive issue would only be whether the combination as a whole had become spent. Under the rule adopted by the Federal Circuit, any replacement of parts would be permitted unless and until the combination was spent. Neither *Mitchell* nor *Aro I* supports that sweeping result.

C. There Is No Precedential Support For Replacement of Parts Other Than To Maintain The Useful Life of The Combination

To support its unjustified expansion of the repair doctrine, the Federal Circuit misapplies the precedent of this Court and its own decisions.

Relying upon its decision in *Kendall Co. v. Progressive Medical Technology, Inc.*, 85 F.3d 1570, 38 USPQ2d 1917 (Fed. Cir. 1996), it holds that "when a device or substantial parts thereof are not reconstructed, or a condition of sale is not violated, the law does not prevent the purchaser of a patented device from prematurely replacing an unpatented part." App. B5-6.

Kendall involved a patented combination for a compressive sleeve used to enhance blood flow in patient's legs. Although the sleeve was not broken or worn out through use, it was not reused to avoid contamination. Consequently, when "premature" replacement of the sleeve, i.e., before it was worn out, was approved, that result was reached because the sleeves were "practically" unusable. In *Kendall* the use of the term "premature" described the replacement of a part that did not need repair in the classic sense because it was not broken or worn out, but needed replacement because, as a medical device, it could only be used once before disposal. "[W]e believe that when it is *neither practical nor feasible to continue using an element that is intended to be replaced*, that element is effectively spent." *Kendall*, 85 F.3d at 1574, quoting *Sage Products, Inc. v. Devon Industries, Inc.*, 45 F.3d 1575, 1577, 33 USPQ2d 1765, 1767 (Fed. Cir. 1995) (replacement of medical waste container was repair) (emphasis added). Correctly understood, *Kendall* merely clarified that repair includes the replacement of parts that may not be broken or worn out but that are practically unusable. It does not justify the wholesale replacement of parts before they need replacement.

The court of appeal's decision also misapplies the holding of this Court's decision in *Wilbur-Ellis Co. v. Kuther*, 377 U.S. 422, 425, 141 USPQ 703, 704-05 (1964), to support the proposition that a purchaser of a patented device may "do more than simply replace spent or broken parts." App. B6. In *Wilbur-Ellis*, patented fish-canning machines were reconditioned to make them usable and, in the course of reconditioning, the parts of the machines were modified to process smaller cans. Acknowledging that the reconditioning alone of the machines was clearly repair, the court held that the resizing of the parts to process smaller cans was "more than repair in the customary sense . . . but

kin to repair for it bore upon the useful capacity of the old combination, on which the royalty had been paid." 377 U.S. at 425. In essence, the court held that parts of a patented combination could be modified if that modification permitted the useful life of the combination to be realized. Notably, it appears that the original machine parts were modified, rather than new parts added to it. 377 U.S. at 424. Thus, *Wilbur-Ellis* does not support the unhindered replacement of parts, but only replacements that "bear upon the useful capacity of the patented combination." The rule set down by the Federal Circuit goes far beyond that holding and permits the replacement of parts irrespective of the impact of those parts upon the life of the combination.

Similarly, the Federal Circuit's reliance upon *Hewlett-Packard Co. v. Repeat-O-Type Stencil Mfg. Corp.*, 123 F.3d 1445, 1452, 43 USPQ2d 1650, 1657 (Fed. Cir. 1997), is misplaced. In that case, the alleged infringer purchased new H-P ink cartridges and modified the tops of their ink reservoirs to that they could be refilled. Significantly, the court there noted that Repeat-O-Type modified new cartridges and did not replace any of the elements in the claims. *Id.* It also noted that the change to the ink reservoir—making it refillable—extended the actual useful life of the cartridge by allowing it to be refilled until some other component of the cartridge failed. *Id.* At 1452. Thus, *Hewlett-Packard* does not support the proposition that an owner may freely replace parts that are not broken or worn out but only holds that an owner may modify a new, patented combination to realize the actual duration of its life. Indeed, the practical result of the ruling in *Hewlett-Packard* is just what one would expect if the issue had been presented after the ink supply had been consumed and the owner had somehow opened the reservoir cap to refill it. *Heyer v. Duplicator Mfg. Co.*, 263 U.S. 100, 101-102, 44 S. Ct. 31, 32 (1923) (replacement of gelatin bands in copying machine is

repair).

In sum, none of the cases relied upon by the Federal Circuit support the proposition that parts may be freely replaced as long as the combination itself is not spent. At best, the decisions define repair to include the replacement of "practically unusable" parts (*Kendall*) and modifications to realize the actual life of the combination (*Wilbur-Ellis* and *Hewlett-Packard*). Consequently, legitimate repair is limited to the repair or replacement of broken, worn or "practically unusable" parts, or modifications that realize the actual life of the combination. Unlimited replacement of parts is not authorized.

II. THE FEDERAL CIRCUIT'S DECISION IS CONTRARY TO THIS COURT'S DECISION IN *DAWSON CHEMICAL CO. v. ROHM & HAAS*

The appeal court's decision is directly contrary to the statutory rights granted to owners of patented combinations by 35 U.S.C. §§ 271(c) and (d) as interpreted by this Court in *Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S. 176, 100 S. Ct. 2601 (1980). In that case, this Court addressed the issue whether it was patent misuse for the owner of a method patent for the application of an herbicide for crops to refuse to license the patent to farmers who did not use its herbicide thus preventing sales of the unpatented herbicide by other chemical companies. In a lengthy analysis of the relationship between contributory infringement and patent misuse as defined by Congress in its passage of 35 U.S.C. § 271, the Court observed that

> The approach that Congress took toward the codification of contributory infringement and patent misuse reveals a compromise between those two doctrines and their competing policies

> that permits patentees to exercise control over nonstaple articles used in their inventions.

Dawson, 448 U.S. at 200. In summing up the scope of a patentee's rights under section 271 to control sales of unpatented, nonstaple articles (like the fins used in Fin Control's combination), the *Dawson* Court held:

> In our view, the provisions of § 271(d) effectively confer upon the patentee, as a lawful adjunct of his patent rights, a limited power to exclude others from competition in nonstaple goods. *A patentee may sell a nonstaple article himself while enjoining others from marketing that same good without his authorization.* By doing so, he is able to eliminate competitors and thereby to control the market for that product.

Dawson, 448 U.S. at 201 (emphasis added). Thus, under section 271, because Fin Control's fins are nonstaple components of a patented combination, it has the right to exclude others from contributorily infringing its patents by selling compatible fins without its authorization.

The Federal Circuit's decision wholly ignores the scope of Fin Control's rights under section 271 to exclude Surfco from selling replacement fins in direct contradiction to this Court's decision in *Dawson*.

III. SUPREME COURT AND FEDERAL CIRCUIT PRECEDENT PROHIBIT EXACTLY THE CONDUCT ENGAGED IN BY SURFCO

Replacement of parts not needing repair has been repeatedly prohibited in Supreme Court and Federal Circuit decisions. In *Leeds & Catlin Co. v. Victor Talking Machine Co.*, 213 U.S. 325, 336, 29 S. Ct. 503 (1909), this Court held

that a seller of records used in Victor's patented talking machine combination was guilty of contributory infringement. It rejected the applicability of the repair doctrine enunciated in *Wilson v. Simpson* on the basis that the records were not "perishable" but—like Fin Control's fins—are "capable of remaining useful for an indefinite period." *Leeds*, 213 U.S. at 336.

> [T]here is no pretense . . . of mending broken or worn out records, or of repairing or replacing "the operative ultimate tool of the invention" which has deteriorated by use. . . .
>
> The right of substitution or "resupply" of an element depends upon the same test. *The license granted to a purchaser of a patented combination is to preserve its fitness for use so far as it may be affected by wear or breakage. Beyond this there is no license.*

Id. (emphasis added).

The Federal Circuit has applied the same rule. In *Lummus Industries, Inc. v. D.M. & E. Corp.*, 862 F.2d 267, 8 USPQ2d 1983 (Fed. Cir. 1988), a jury instruction was approved that held replacement of a component which is not worn out with an accessory component which is a material part of the invention to be a reconstruction of the patented machine. *Id.* At 270 (emphasis added). The court rejected, as contrary to law, defendants' argument that the owners of the entire apparatus had an unlimited right to reconstruct and replace as well as to repair. *Id.* At 272 (emphasis added).

The appeal court's decision is all the more remarkable in view of the dissent of one of the Panel judges in *Everpure, Inc. v. Cuno, Inc.*, 875 F.2d 300 (Fed. Cir. 1989). In her dissent, the judge cited *Lummus* for the proposition that

replacement of an unworn part is not repair but "a second creation of the patented entity," quoting *Aro I* (*Id.* At 306), and underscored the right of the patentee under section 271(c) to control the sale of nonstaple components of patented combinations. *Id.* At 305-06 & n.1. These propositions are exactly Fin Control's position in this matter.

Other decisions of the Federal Circuit following this rule include *Preemption Devices, Inc. v. Minnesota Mining & Mfg. Co.*, 803 F.2d 1170, 1174-75, 231 USPQ 297, 300 (Fed. Cir. 1986) (sale of unique components for light activated traffic signal remote control systems); *King Instrument Corp. v. Otari Corp.*, 814 F.2d 1560, 1564, 2 USPQ2d 1201, 1204 (Fed. Cir. 1987) (upholds injunction against sale of spare parts); *Symbol Technologies, Inc. v. Opticon, Inc.*, 17 USPQ2d 1737, 1990 WL 58887 at *20 (S.D.N.Y. 1990) (sale of hand-held scanner for reading bar codes), *aff'd*, 935 F.2d 1569, 19 USPQ2d 1241 (Fed. Cir. 1991); *Polysius Corp. v. Fuller Co.*, 709 F. Supp. 560, 10 USPQ2d 1417 (E.D. Pa.) (sale of high pressure grinding rolls for use in method for reducing size of brittle materials), *aff'd in relevant part*, 889 F.2d 1100 (Fed. Cir. 1989) (table); see *Miller Hatcheries, Inc. v. Buckeye Incubator Co.*, 41 F.2d 619, 5 USPQ 489 (8th Cir. 1930) (improper to alter new egg incubators to increase their capacity).

Despite the existence of this precedent that was not addressed or distinguished by the Federal Circuit, its decision permits "modification"—replacement of parts not needing repair—of the components of a patented combination.

CONCLUSION

Petitioner, Fin Control Systems Pty, Ltd., respectfully requests that this Court grant its petition for a writ of certiorari to correct the Federal Circuit's failure to follow statutory and decisional precedent that precludes the sale of nonstaple component parts for purposes of replacing parts that are not in need of repair because they are not broken, worn out, or "practically unusable," or enable the actual life of the combination to be realized.

Dated: December 3, 2001

Respectfully submitted,

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Fin Control Systems Pty, Ltd.

APPENDIX A

CASE NO. 98-00598SPK

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF HAWAII

SURFCO HAWAII,

Plaintiff/Counter-Defendant,

v.

FIN CONTROL SYSTEMS PTY, LTD.,

Defendant/Counterclaimant,

Filed: February 2, 2000

ORDER

The subject of this lawsuit is a surfboard, or more precisely, its fins. Defendant/Counterclaimant Fin Control Systems Pty, Ltd. ("FCS") holds three U.S. patents on a removable fin system for surfboards. The FCS Fin Control System allows surfers to remove, install, and arrange fins on their surfboards as they desire. Plaintiff/Counter-Defendant Surfco Hawaii ("Surfco") sells fins designed specifically for use with the FCS Fin Control System. Whether Surfco's sale of those fins is an infringement of FCS's patents is the central question in this litigation. For the reasons stated below, the Court answers in the affirmative.

I. FACTUAL BACKGROUND

FCS is the inventor of a removable fin system for surfboards, for which it holds three patents: U.S. Patent Nos. 5,328,397 ("the '397 patent"), 5,464,359 ("the '359 patent"),

and 5,672,081 ("the '081 patent"). Unlike conventional surfboards, surfboards fitted with the patented FCS Fin Control System ("FCS surfboards") have fins that are removable rather than integrally formed with the board. The FCS Fin Control System allows surfboard owners to replace worn or broken fins more easily, and to customize their boards with their desired type and arrangement of fins.

The FCS Fin Control System consists of a surfboard fitted with plugs, fins that are inserted into the plugs, and grub screws that secure the fins in place. The fins have two lateral surfaces, an end surface, and tabs that extend from the fin's end surface. The tabs, which are integrally formed with the fin, fit into the plugs on the surfboard.

The development of a removable fin system created a demand for replacement fins. While FCS offers its own fins for sale, its product is not the only one in the market. Surfco sells a competing product, namely the "Pro Teck" fin, which is adapted specifically for use with the FCS Fin Control System.

FCS charged Surfco with contributory infringement of the '397, '359, and '081 patents. In response, Surfco filed this declaratory action for noninfringement. FCS counterclaimed for inducement of infringement and contributory infringement of its three patents.

Before the Court are four sets of motions. First, Surfco has filed a motion for summary judgment of noninfringement based on the repair/reconstruction doctrine. FCS has filed a cross-motion for summary judgment that the repair doctrine does not shield Surfco from liability for patent infringement. Second, Surfco has filed a motion for claim interpretation pursuant to *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995) (en banc), *aff'd*, 517 U.S. 370 (1996). Third, Surfco has moved for

summary judgment of noninfringement. FCS has filed a cross-motion for partial summary judgment of inducement of infringement and contributory infringement of the '397 and '359 patents. Fourth, Surfco has filed a motion for separation of trial pursuant to Rule 42(b) of the Federal Rules of Civil Procedure.

II. DISCUSSION

A. SUMMARY JUDGMENT STANDARD

Summary judgment is appropriate when the court finds "that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Fed. R. Civ. P. 56(c). The moving party bears the burden of showing that there is no genuine issue of material fact. *See Carroll Touch, Inc. v. Electro Mechanical Sys., Inc.*, 3 F.3d 404, 413 (Fed. Cir. 1993). The court must resolve all doubts concerning whether issues of material fact exist in favor of the non-moving party. *See id.* at 413. The court must also draw all reasonable inferences in favor of the non-moving party. *See id.* However, the non-moving party cannot rest its argument on mere denials. It must present evidence sufficient for a trier of fact to find in its favor. *See id.*

B. THE REPAIR/RECONSTRUCTION DOCTRINE

Surfco moves for summary judgment of noninfringement of the '397, '359, and '081 patents on the ground that use of Pro Teck fins in FCS surfboards constitutes a permissible repair rather than an impermissible reconstruction. FCS also moves for summary judgment on this issue, contending that the repair doctrine is inapplicable in this case. If the repair doctrine is applicable here, Surfco cannot be liable for direct infringement of the patents, nor

can it be liable for indirect infringement. *See Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 345 (1961).

The repair doctrine permits the purchaser of a patented combination to replace or repair worn or broken unpatented parts of the combination. See id. at 345. However, the purchaser may not build the patented combination anew — in other words, reconstruction of the patented combination exceeds the implied authorization to use and sell the patented combination. *See Hewlett-Packard v. Repeat-O-Type Stencil Mfg. Corp., Inc.*, 123 F.3d 1445, 1451 (Fed. Cir. 1997). The distinction between repair and reconstruction is often difficult to determine. As noted by the Federal Circuit, "[T]here is no bright-line test for determining whether a modification is a "reconstruction" sufficient to infringe a patent owned by the seller of the product . . . ." *Id.* at 1452.

Of significance in this case is how the accused device is used. There is no question that surfboard owners are legally entitled to buy Pro Teck fins to replace worn or broken FCS fins. However, Surfco's marketing materials emphasize another purpose for buying Pro Teck fins: safety. Unlike FCS fins, Pro Teck fins have rubber edges to prevent the fins from cutting the user of the surfboard. This feature of Pro Teck fins creates an incentive for surfboard owners to replace unworn FCS fins with the accused device. Surfco and FCS dispute whether such use of Pro Teck fins amounts to a repair or a reconstruction.

The crux of Surfco's argument is that replacement of a single element of a combination designed to be replaced constitutes "repair" regardless of whether the element has been completely spent. This is because, Surfco reasons, the owner of the combination may make improvements to it at his or her discretion to obtain desired results.

Surfco's argument is analytically flawed. The cases Surfco cites in support of its position do not hold that the requirement of "spentness" is irrelevant in determining whether there is a repair. *See Kendall Co. v. Progressive Med. Tech., Inc.*, 85 F.3d 1570 (Fed. Cir. 1996); *Sage Prods., Inc. v. Devon Indus., Inc.*, 45 F.3d 1575 (Fed. Cir. 1995); *Everpure, Inc. v. Cuno, Inc.*, 875 F.2d 300 (Fed. Cir. 1989). The component being replaced in each case was spent or worn in some fashion. In *Kendall*, the component was a sleeve used in a medical device for applying compressive pressure to a patient's limbs. The court held that the sleeves were "spent" after coming into contact with a patient. The replaceable component in *Sage* was a disposable inner container used in a system for disposing sharp medical instruments. The system consisted of an outer enclosure that attached to the wall and an inner container for holding the disposed instruments which needed replacement once it became full. In *Everpure*, the component was a cartridge containing a filter for use in a filtration system.

Surfco points to another similarity between the instant case and *Kendall*, *Sage*, and *Everpure*: in each of those cases, the patent owner intended the disposable component to be replaced. The record indicates that FCS also recognizes the need for replacement of the fins on its surfboards, but there is a critical difference — FCS contemplates "replacement" of fins not only because they are worn or broken, but also for performance reasons. FCS sells fins of different types and sizes for use with its surfboards. It is in this market which Surfco aims to compete. Surfco's product is not intended solely as a replacement of a single-use component as in *Kendall*, or a component that has lost its utility, as in *Everpure* and *Sage*. Rather, Surfco's fins are sold as an alternative to FCS's fins. This is not repair. As a general rule, the replacement of an unworn component of a patented combination is an impermissible reconstruction. *See Miller*

Hatcheries, Inc. v Buckeye Incubator Co., 41 F.2d 619, 621-22 (8th Cir. 1930); *Universal Elecs., Inc. v. Zenith Elecs. Corp.*, 846 F. Supp. 641, 650 (N.D. Ill. 1994).

There is an exception to the rule in special circumstances, but it does not apply here. In *Wilbur-Ellis Co. v. Kuther*, 377 U.S. 422 (1964), the United States Supreme Court found a repair where the owner of a patented fish canning machine resized elements of the machine so it could pack fish into smaller cans. The resizing of the elements was made in the course of restoring corroded elements of the machines to operational condition. The Court determined that the adaptation of the machines for a use not originally contemplated by the patent owner was "kin to repair." *See id.* at 425.

A recent Federal Circuit decision examined the "kin to repair" doctrine. *See Hewlett-Packard Co. v. Repeat-O-Type Stencil Mfg. Corp., Inc.*, 123 F.3d 1445 (Fed. Cir. 1997), *cert. denied*, 523 U.S. 1022 (1998). In Hewlett-Packard, the manufacturer of ink cartridges for use with its own brand of ink jet printers filed suit against a company which purchased unused cartridges, modified them to make them refillable, and resold them. The manufacturer's cartridges were designed to be nonrefillable. The defendant converted them into refillable cartridges by making the cartridge's protective plastic cap removable. This modification, according to the court, was "kin to repair." *See id.* at 1452. The court reasoned that it was not a reconstruction because the defendant was merely extending the life of the reservoir of ink in the cartridge, the useful life of which was substantially shorter than that of the cartridge itself.

Wilbur-Ellis and *Hewlett-Packard* teach that the owner of a patented combination may modify its existing elements to lengthen its useful life. That does not describe what Surfco is doing here. The primary purpose for installing a

Pro Teck fin in a FCS surfboard is not to extend the life of the surfboard. The Pro Teck fin cannot even be considered a modification of an existing element of FCS's patented combination. It is a new element altogether. It is not "kin to repair."

In the absence of any special circumstances, the general rule applies. If the Pro Teck fin is sold as a replacement of an unworn component in FCS surfboards, the repair doctrine is unavailable to Surfco as a defense. There is no question that Surfco sells the Pro Teck fin with the design that they will be used to replace unworn FCS fins. Surfco's marketing materials emphasize the safety and performance features of the Pro Teck fin. In declarations filed in the instant lawsuit, Surfco's president confirmed that Surfco sells Pro Teck fins to surfboard owners so they might replace their existing FCS fins "for any reason," including safety. *See, e.g.*, Skedeleski Decl. of Nov. 2, 1998 3, Exh. "6" to Defs.' Mem. Opp. Moreover, the fact that surfboard owners may buy Pro Teck fins to replace worn FCS fins does not defeat summary judgment. When one sells components of a patented combination that may be used for both legitimate repair as well as infringing purposes, the seller has "the duty of careful investigation into the objects of the purchasers [of the component], and of an abandonment of indifference as to whether they are seeking to trench upon the rights of the owners of the patent . . . ." *Thomson-Houston Elec. Co. v. Kelsey Elec. Ry. Specialty Co.*, 75 F. 1005, 1010 (2d Cir. 1896). The record makes clear that Surfco contemplated the replacement of unworn FCS fins with Pro Teck fins, an act that is neither repair nor kin to repair.

Accordingly, as to the cross-motions for summary judgment based on the repair and reconstruction doctrines, the Court DENIES Surfco's motion and GRANTS FCS's motion.

C. CLAIM INTERPRETATION

Before the Court are cross-motions for summary judgment on the issue of Surfco's liability for patent infringement. Analysis of patent infringement is a two-step process: (1) the patent claims must be construed; and (2) the properly construed claims must be compared to the allegedly infringing device. *See General Mills, Inc. v. Hunt-Wesson, Inc.*, 103 F.3d 978, 981 (Fed. Cir. 1997) (citing *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 976, (Fed. Cir. 1995), *aff'd*, 517 U.S. 370 (1996)). Claim construction is a matter of law. *See Markman*, 517 U.S. at 388. Per Surfco's motion, the Court construes the disputed claims in the '397, '359, and '081 patents.

Claim interpretation begins with the language of the claims. *See Renishaw PLC v. Marposs Societá per Azioni*, 158 F.3d 1243, 1248 (Fed. Cir. 1998). The general rule is that terms in the claim are to be given their ordinary and accustomed meaning. *See Johnson Worldwide Assocs., Inc. v. Zebco Corp.*, 175 F.3d 985, 989 (Fed. Cir. 1999). That is, the ordinary and accustomed meaning of a disputed claim term is presumed to be the correct one, subject to several rules of construction. *See Johnson Worldwide*, 175 F.3d at 989. First, a different meaning clearly and deliberately set forth in the intrinsic materials — the written description or the prosecution history — will control. *See id.* Second, if the ordinary and accustomed meaning of a disputed term renders the claim unclear, then further reference must be made to the intrinsic or extrinsic evidence to ascertain the proper meaning. *See id.* at 990. In either case, a party wishing to alter the meaning of a clear claim term must overcome the presumption that the ordinary and accustomed meaning is the proper one. *See id.* at 989-90.

1. The '397 Patent

The '397 patent contains one independent claim, claim 1. If claim 1 is not infringed, then no other claim in the '397 patent is infringed. Claim 1 of the '397 patent reads:

> A surf craft including a body with a fixing element embedded therein, the fixing element being of material of greater strength than that of the surf craft body and having a fixing aperture therein, said body having a region near said fixing element, a fin attached to the surf craft with an end surface of the fin abutting against the surface of the body in the region of the fixing element, the fin having a coplanar integrally formed fixing formation extending from said end surface and engaged within the aperture of the fixing element, the fixing element including releasable engagement means for locking the fixing formation within said aperture, said releasable engagement means releasably engaging said fixing formation at a location inside said aperture.

At issue are the limitations "a coplanar integrally formed fixing formation extending from said end surface" and a "fixing element being of material of greater strength than that of the surf craft body."

a. "Coplanar"

Claim 1 of the '397 patent states that the "fixing formation" (i.e. the tab) is "coplanar." The parties disagree on the meaning of "coplanar." Surfco contends that the limitation means that the tab is an extension of the sides or lateral surfaces of the fin. So construed, the tabs in the Pro Teck fin are not coplanar because they are indented from the

sides of the fin. FCS disputes this interpretation of "coplanar" on the ground that a curved surface cannot define a plane. Since the sides of the fin in the '397 patent are curved, FCS argues, they cannot define the plane on which the fixing formations must lie. Instead, the plane is located along the major axis of the fin, which is the fin's center. The Pro Teck fin's fixing formations are "coplanar" with the fin under this definition of the term.

The Court turns first to the term's ordinary and accustomed meaning. To be "coplanar" with an object means to be in the same plane in which the object lies. That definition, however, does not help place the location of the plane in question.

Intrinsic evidence is similarly unhelpful in ascertaining the meaning of "coplanar" in the '397 patent. Neither the patent's specification nor its claims define the term. Surfco suggests that the diagram of the fin in the patent does not show a fin with curved sides. In support, Surfco offers the declaration of Ariane Richaud, a professional patent illustrator/draftsman who examined the drawings in the '397 patent. According to Ms. Richaud, a curvature in the sides of the fin would be indicated by shade lines, which are absent from the drawings. This does not suggest that the patent drawings "clearly and deliberately" show the sides of the fin as flat, however. Ms. Richaud's declaration itself states that "it cannot be determined [from the patent drawings] whether the majority of the side surfaces of the surfboard fin illustrated are primarily flat or curved." Richaud Decl. of July 23, 1999 4, Exh. 22 to Pl.'s Reply Mem.

The prosecution history is similarly ambiguous. During the prosecution of the '397 patent, the Patent and Trademark Office ("PTO") rejected the original language of claim 1 as anticipated by another patent for a removable fin

("Beacham"). The patentee filed an amendment rewriting claim 1 to include language that described the fixing formation as a "coplanar integrally formed fixing formation." The fact that the fixing formations were "coplanar" with the fin distinguished the claim from Beacham, in which the fixing formation consisted of flanges extending from the base of the fin. The PTO accepted the claim as amended. Although the coplanar arrangement of the fixing formations in the '397 patent is clearly distinguishable from the flanges in Beacham, this distinction does not help the Court locate the plane with which the fixing formation must be "coplanar."

The Court therefore turns to extrinsic evidence for guidance. In doing so, the Court is mindful that reliance on extrinsic evidence can be improper when the disputed terms can be understood from a careful reading of the patent documents. *See Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1584 (Fed. Cir. 1996). "In most situations, an analysis of the intrinsic evidence alone will resolve any ambiguity in a disputed claim term." *Id.* at 1583. This case is not such a situation. Where the intrinsic evidence does not aid in determining the meaning of a disputed claim, as here, the court may rely on extrinsic evidence to understand the technology and to construe the claims. *See id.* at 1584 (citing *Markman*, 52 F.3d at 979). A court may "consult trustworthy extrinsic evidence to ensure that the claim construction it is tending to from the patent file is not inconsistent with clearly expressed, plainly apposite, and widely held understandings in the pertinent technical field." *Pitney Bowes, Inc. v. Hewlett-Packard Co.*, 182 F.3d 1298, 1309 (Fed. Cir. 1999). Extrinsic evidence includes expert testimony, inventor testimony, dictionaries, and technical treatises and articles. *See Vitronics*, 90 F.3d at 1584.

Resort to the dictionary definition of "coplanar" is particularly helpful here.[1] Webster's Third New International Dictionary defines "coplanar" as "lying or acting in the same plane." *Webster's Third New International Dictionary* 502 (1976). "Planar" means "1: of or relating to a plane : lying in one plane 2 : having a flat two-dimensional quality." *Id.* at 1730. "Plane" means "(1) : a surface such that the straight line that joins any two of its points lies wholly in that surface: a two dimensional extent of zero curvature : a surface any intersection of which by a like surface is a straight line . . . ." *Id.*

Together, the definitions of these terms lead to the inescapable conclusion that a plane is defined by a flat surface. This proposition comports with foundational principles of geometry, i.e., that a plane is a perfectly flat surface. See F. Eugene Seymour & Paul James Smith, *Plane Geometry* 6 (Rev. ed. 1949). It follows that a curved surface cannot define a plane.

Further extrinsic evidence clarifies the proper definition of a plane with respect to the fins in question. FCS offers the expert opinion of Michael Neff, an expert in the analysis of engineered materials and system/process evaluation.[2] Mr. Neff explains that fins and wings are categorized as "foils." The plane of a foil, such as a fin, is defined by the major axis of the foil. See Neff Supplemental Expert Rep. 6(a), Exh. 5 to Def.'s Mem. Opp. In an injection molded product such as the Pro Teck fin, the major

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[1] The Federal Circuit has approved the use of dictionaries at any time for aid in claim construction, even though they fall within the category of extrinsic evidence, so long as the dictionary definition does not contradict any definition found in or ascertained by a reading of the patent document. *See Vitronics*, 90 F.3d at 1586 n.6.

[2] The Court considers Mr. Neff's supplemental expert report over Surfco's objection that the report was untimely. FCS complied with Rule 26 of the Federal Rules of Civil Procedure in filing the report.

axis is defined by the parting line, or the line at which the surfaces of a 2-piece mold meet. The Court accepts this expert opinion as reliable, and finds it consistent with the language of the patent documents for the '397 patent.[3]

b. "Fixing element being of material of greater strength than that of the surf craft body"

The Court is also asked to construe the limitation in the '397 patent that reads: "fixing element being of material of greater strength than that of the surf craft body." The parties disagree whether the fixing element is constructed of a material that is stronger than that of the surf craft body. Surfco contends that the fixing element is not stronger than the surf craft body, which it defines as including the fibreglass skin of the surfboard.

Again, the Court begins with the language of the limitation. The disputed term is "surf craft body." Although claim 1 of the '397 patent does not define the term, it does make reference to both the "surf craft body" and the "surface of the body."

The other claims in the '397 patent illuminate this distinction. Claim 7 states that the body consists of "plastics foam material." Claim 9 states that the "surf craft body is covered by a skin of fibre-reinforced plastics." A plain reading of these two claims reveals that the "surf craft body" is separate from, and does not include, its "skin." Different words or phrases used in separate claims are presumed to indicate that the claims have different meanings and scope.

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[3] However, the Court rejects Mr. Neff's suggestion that the plane can be defined by the flat surface of the inboard portion of a fin or the set of planes parallel to the plane defined by such flat surface. There is only one plane with which the fixing formation of the fin must be coplanar to fall within the scope of the claim. That is, the fixing formation cannot be coplanar to a "set of planes."

See Karlin Tech., Inc. v. Surgical Dynamics, Inc., 177 F.3d 968, 971-72 (Fed. Cir. 1999) (citing *Comark Communications, Inc. v. Harris Corp.*, 156 F.3d 1182, 1187 (Fed. Cir. 1998)). Deviation from this principle in this case would lead to absurdity, for if the term "surf craft body" in claim 1 referred to both the surf craft's foam core and its skin, claims 7 and 9 would contradict each other.

Surfco argues that the dependent claims in a patent may restrict, but not change, the limitations of the independent claims. Applying this principle, Surfco asserts that since claim 1 — the '397 patent's only independent claim — specifically defines the "surface of the body" as part of the "surf craft body," no dependent claim can change that meaning.

Claim 1 carries no such meaning. First, the fact that the claim modifies the word "surface" with the phrase "of the body" implies that the surface and the body are separate components. Second, as noted, the claim refers separately to the "surf craft body" and the "surface of the body." The two terms are not interchangeable merely because they both appear in the claim. Thus, claim 1 does not define a "surf craft body" to include the "surface of the body." There is no violation of the principle of claim construction that Surfco cites.

Accordingly, the Court finds that the material of the "surf craft body" referred to in claim 1 consists of "plastics foam material," not "fibre-reinforced plastics" material.

2. The '359 and '081 Patents

Surfco moves for interpretation of claim 1 of the '359 patent and claim 1 of the '081 patent. With respect to both patents, the limitation in dispute is that of the "fixing element being of material of greater strength than that of the surf craft

body." This limitation corresponds to the limitation of the same wording in claim 1 of the '397 patent, which is parent to both the '359 and '081 patents. Accordingly, the court will give the limitations the same meaning as it does in the '397 patent. *See Mark I Mktg. Corp. v. Donnelley & Sons Co.*, 66 F.3d 285, 291 (Fed. Cir. 1995), *cert. denied*, 516 U.S. 1115 (1996); *Abtox, Inc. v. Exitron Corp.*, 899 F. Supp. 775, 781 (D. Minn. 1995).

Moreover, the Court will not read the "coplanar integrally formed fixing formation" limitation in the '397 patent into the '359 and '081 patents. Although the '397 patent is the parent of these two patents, the limitation simply does not appear in them.

3. Order Construing Claims

For the reasons set forth above, it is hereby ordered as follows:

a. As to United States Patent 5,328,397, the Court finds:

(i) In claim 1, "a coplanar integrally formed fixing formation extending from said end surface" means a tab [18] that is formed as an integral part of the fin [11]; that extends from the end surface of the fin [11]; and that lies in the same plane as that defined by the major axis of the fin. The major axis is defined by the parting line of the injection molded fin [11], or the line at which the surfaces of the 2-piece mold meet.

(ii) In claim 1, "fixing element being of material of greater strength than that of the surf craft body" means plugs [12] made of a material of greater strength than the surf craft body of plastics foam material.

b. As to United States Patent 5,454,359, the Court finds:

(i) In claim 1, "fixing element being of material of greater strength than that of the surf craft body" means plugs [12] made of a material of greater strength than the surf craft body of plastics foam material.

c. As to United States Patent 5,672,081, the Court finds:

(i) In claim 1, "fixing element being of material of greater strength than that of the surf craft body" means plugs [12] made of a material of greater strength than the surf craft body of plastics foam material.

D. PATENT INFRINGEMENT

Surfco has filed a motion for summary judgment of noninfringement. If Surfco prevails on this motion, it is entitled to the declaratory relief it seeks in this action. Such relief is appropriate only if there is no basis for finding infringement of any of the three patents. Infringement can be direct or indirect. Indirect infringement may occur under the theories of inducement of infringement or contributory infringement. *See* 28 U.S.C. §§ 271(b) & (c). Thus, in order to prevail on its motion for summary judgment, Surfco must be found free of liability under any theory of patent infringement.

In response to Surfco's motion, FCS has moved for summary judgment of infringement as to the '397 and '359 patents. FCS has not moved for summary judgment as to the '081 patent. However, the Court cannot determine whether Surfco is entitled to summary judgment of noninfringement, and declaratory relief, unless it analyzes whether Surfco infringes on the '081 patent.

The court therefore considers sua sponte whether Surfco and FCS are entitled to summary judgment as to the issue of infringement of the '081 patent. A Court may enter summary judgment sua sponte "if there is no genuine dispute respecting a material fact essential to the proof of movant's case . . . ." *O'Keefe v. Van Boening*, 82 F.3d 322, 324 (9th Cir. 1996) (internal quotations and citations omitted). "However, a litigant must be given reasonable notice that the sufficiency of his or her claim will be in issue . . . . *Id.* Reasonable notice "implies adequate time to develop the facts on which the litigant will depend to oppose summary judgment." *Portsmouth Square Inc. v. Shareholders Protective Comm.*, 770 F.2d 866, 869 (9th Cir. 1985).

The Court is satisfied that Surfco has had adequate notice that its activities involving the '081 patent are at issue. Indeed, the issue is inextricable from the Court's adjudication of Surfco's motion for summary judgment of noninfringement. In arguing its motion, Surfco has had ample opportunity to defend against liability for infringement of the '081 patent.

Turning to the merits of the parties' motions, the Court first considers whether there has been direct infringement of the patents. As the seller of an unpatented component of a patented combination, not the combination itself, Surfco cannot be liable for direct infringement. *See Aro*, 365 U.S. at 340. In any event, FCS has not asserted a counterclaim of direct infringement against Surfco.

FCS has, however, counterclaimed for inducement of infringement and contributory infringement of all three patents. The Court now considers these claims.

1. Inducement of Infringement

Title 28 U.S.C. section 271(b) states that "[w]hoever

actively induces infringement of a patent shall be liable as an infringer." 28 U.S.C. § 271(b). "[A] person infringes by actively and knowingly aiding and abetting another's direct infringement." *Water Techs. Corp. v. Calco, Ltd.*, 850 F.2d 660, 668 (Fed. Cir.), *cert. denied*, 488 U.S. 968 (1988). One knowingly induces infringement when one knew or should have known that one's actions would induce actual infringement. *See Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990). Knowing intent may be inferred from all of the circumstances. *See Water Techs.*, 850 F.2d at 668-69.

The initial question is whether Surfco's customers engage in direct infringement of the '397, '359, and '081 patents. Literal infringement is a form of direct infringement. Literal infringement occurs when every element of a patent claim reads onto the accused device. The application of a properly construed claim to an accused device is a question of fact. *See CVI/Beta Ventures, Inc. v. Tura LP*, 112 F.3d 1146, 1152 (Fed. Cir. 1997). Summary judgment on the issue of literal infringement is proper, however, when no genuine issue of material fact exists. *See Bai v. L&L Wings, Inc.*, 160 F.3d 1350, 1353 (Fed. Cir. 1998). That is, summary judgment of literal infringement is proper if "no reasonable jury could find that every limitation recited in the properly construed claim either is or is not found in the accused device." *Id.*

The parties have not raised a genuine issue of fact as to the structure of the Pro Teck fin. The fin has two lateral surfaces and an end surface. It is designed to be inserted into the plugs in a FCS surfboard by way of two or more tabs which extend from the end surface of the fin, and which are integrally formed with the fin. The fin is secured by grub screws provided by FCS.

Given these facts, the Court finds that every element of claim 1 of the '397 patent is present when a Pro Teck fin is installed in a FCS surfboard. The tabs of the Pro Teck fin lie within the same plane as that defined by the fin's major axis. The tabs thus constitute "coplanar integrally formed fixing formation[s]." Furthermore, the plugs on a FCS surfboard into which the Pro Teck fin is inserted is of greater strength" than the foam plastics material constituting the "'surf craft body." Thus, the installation of a Pro Teck fin on a FCS surfboard is a literal infringement of the '397 patent.

The same result obtains with respect to the '359 and '081 patents. Every element of claim 1 of the '359 and claim 1 of the '081 patent is present when a Pro Teck fin is installed on a FCS surfboard having the number of fixing elements described in the respective patent.

The next question is whether Surfco "actively and knowingly" aided and abetted its customers in such infringement. Surfco possessed the requisite intent for a finding of infringement by inducement. It was aware that the FCS Fin Control System existed before it began manufacturing Pro Teck fins. Indeed, Surfco admits that the Pro Teck fin was designed specifically for use with FCS surfboards. Surfco has marketed and advertised the Pro Teck fin as compatible for use in the FCS Fin Control System. The record is clear that Surfco actively and knowingly induced infringement.

The Court finds that Surfco is liable for inducement of infringement of all three patents.

2. Contributory Infringement

Under section 271(c), a person is liable for contributory infringement if he or she (1) sells a component of a patented combination constituting a material part of the invention, (2)

knowing that the component will be used in a way that infringes on the patent, and (3) the component is not a staple article or commodity of commerce suitable for substantial noninfringing use. *See* 28 U.S.C. § 271(c).

There is no question that Surfco sells a material component of the combination patented by FCS, namely the fin. The requisite intent is also present, as evident from the analysis of inducement of infringement above. The presence of direct infringement has been examined, and determined to be present.

The only question remaining is whether the Pro Teck fin is a staple article or a commodity of commerce suitable for substantial noninfringing use. The Pro Teck fin was designed specifically for use with the FCS Fin Control System. Surfco does not allege otherwise. There is no other use for the Pro Teck fin. Thus, it cannot be considered a staple article suitable for substantial noninfringing use.

The Court finds that Surfco is liable under section 271(c) for contributory infringement of all three patents.

Accordingly, the Court DENIES Surfco's motion for summary judgment of noninfringement and GRANTS FCS's motion for partial summary judgment of inducement of infringement and contributory infringement of the '397 and '359 patents. In addition, the Court sua sponte GRANTS summary judgment against Surfco on the issue of its liability for indirect infringement of the '081 patent.

E. SEPARATION OF TRIAL

Surfco moves for separation of trial as to the issues of liability and damages. Since all issues of liability have been resolved by summary judgment, the Court DENIES the motion as moot.

III. CONCLUSION

For the foregoing reasons, the Court (1) DENIES Surfco's motion for summary judgment and GRANTS FCS's cross-motion for summary judgment based on the repair/reconstruction doctrine; (2) GRANTS Surfco's motion for claim interpretation and interprets the disputed limitations in the '397, '359, and '081 patents as set forth above in Section II.C.3. of this Order; (3) DENIES Surfco's motion for summary judgment of noninfringement and GRANTS FCS's motion for partial summary judgment of inducement of infringement and contributory infringement of the '397 and '359 patents; (4) sua sponte GRANTS summary judgment against Surfco for indirect infringement of the '081 patent; and (5) DENIES Surfco's motion for separation of trial as moot.

IT IS SO ORDERED.

Dated: Honolulu, Hawaii, February 2, 2000.

SAMUEL P. KING
UNITED STATES DISTRICT JUDGE

APPENDIX B

CASE NO. 00-1356

IN THE COURT OF APPEALS

FOR THE FEDERAL CIRCUIT

SURFCO HAWAII,

Plaintiff-Appellant,

v.

FIN CONTROL SYSTEMS PTY, LIMITED,

Defendant-Appellee,

Decided: September 5, 2001

Before MAYER, *Chief Judge*, NEWMAN and RADER, *Circuit Judges*.

NEWMAN, *Circuit Judge*.

Surfco Hawaii appeals the judgment of the United States District Court for the District of Hawaii holding Surfco liable for infringement of Fin Control Systems' United States Patents No. 5,328,397 (issued Jul. 12, 1994), No. 5,464,359 (issued Nov. 7, 1995), and No. 5,672,081 (issued Sep. 30, 1997).[1] We conclude that Surfco's activities are a permissible modification of the patented surf craft, and reverse the judgment of infringement.

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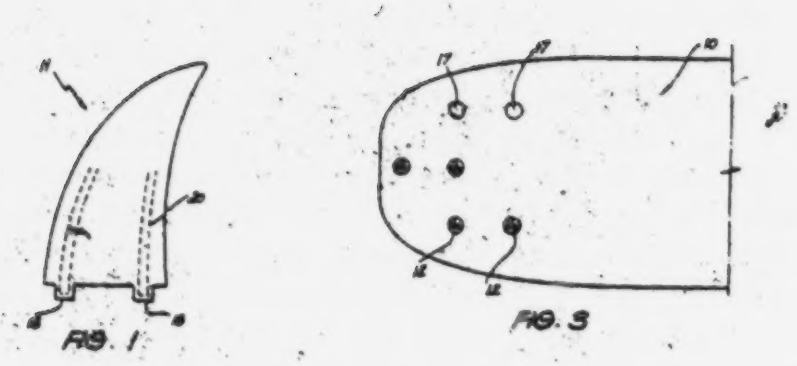
[1] Surfco Hawaii v. Fin Control Systems, Ltd., No. 98-00598SPK (D. Haw. Feb. 2, 2000).

BACKGROUND

The patents in suit are directed to surf craft having releasable fins, and particularly to the structure and mechanism whereby the fin is releasably engaged within the body of the surf craft. Claim 1 of the '397 patent is representative:

> 1. A surf craft including a body with a fixing element embedded therein, the fixing element being of material of greater strength than that of the surf craft body and having a fixing aperture therein, said body having a region near said fixing element, a fin attached to the surf craft with an end surface of the fin abutting against the surface of the body in the region of the fixing element, the fin having a coplanar integrally formed fixing formation extending from said end surface and engaged within the aperture of the fixing element, the fixing element including releasable engagement means for locking the fixing formation within said aperture, said releasable engagement means releasably engaging said fixing formation at a location inside said aperture.

As illustrated in Figures 1 and 3 of the patents, a fin **11** is attached to the surf craft body **10** via tabs **18** that are inserted into fixing elements **12** in the body of the surfboard and secured by grub screws.



Surfco manufactures fins that are specifically fitted for use with the Fin Control Systems surfboard. The Surfco fins differ from the Fin Control fins only in that the Surfco fins incorporate rubber edges as a safety feature; the Surfco fins have the brand name "Pro Teck." The Surfco fins have tabs which fit the fixing elements of the Fin Control surfboards, and are designed to be secured by the Fin Control grub screws.

In this declaratory action, Surfco moved for summary judgment of noninfringement on the ground that the replacement of the unpatented fins of the Fin Control surf craft was akin to the permissible "repair" of a patented device after it had been placed in commerce by the patentee. Fin Control moved for summary judgment on the ground that the sale and use of replacement fins for the patented surf craft is not permissible "repair" because "the replaced FCS fins were in good working condition and did not need to be replaced." The district court granted Fin Control's motion, ruling that the repair doctrine did not permit the accused activity, and held Surfco liable for contributory infringement and inducing infringement of the Fin Control patents. This appeal followed.

DISCUSSION

Summary judgment is appropriate when there is no

genuine issue of material fact and the moving party is entitled to judgment as a matter of law, Fed. R. Civ. P. 56(c), or when, drawing all factual inferences in favor of the nonmoving party, no "reasonable jury could return a verdict for the nonmoving party." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986). We give plenary review to the district court's grant of summary judgment. *EMI Group N. Am. Inc. v. Intel Corp.*, 157 F.3d 887, 891, 48 USPQ2d 1181, 1184 (Fed. Cir. 1998).

In ruling that replacement of unworn Fin Control fins with the Surfco fins produced an infringing surf craft, the district court stated:

> Of significance in this case is how the accused device is used. There is no question that surfboard owners are legally entitled to buy Pro Teck fins to replace worn or broken Fin Control fins. However, Surfco's marketing materials emphasize another purpose for buying Pro Teck fins: safety. Unlike Fin Control fins, Pro Teck fins have rubber edges to prevent the fins from cutting the user of the surfboard. This feature of Pro Teck fins creates an incentive for surfboard owners to replace unworn Fin Control fins with the accused device.

In essence, the district court held that the replacement of unworn fins with other fins created a new and infringing device. Surfco argues that the court's application of the law of "repair and reconstruction" is incorrect, and that the replacement of unpatented parts of a patented device is permitted, whether or not the parts are worn or broken.

As discussed in *Jazz Photo Corp. v. United States Int'l Trade Comm'n*, 2001 WL 945930 (Fed. Cir. Aug. 21, 2001), the terms "repair" and "reconstruction" are used to define the

boundary between permitted and prohibited activities with respect to patented items after they have been placed in commerce. Originating in the principle of exhaustion of the patent right after first sale, the general rule is that "while the ownership of a patented article does not include the right to create a substantially new article, it does include the right to preserve the useful life of the original article." *Id.* at *4. Precedent has elaborated on the right of the owner to replace unpatented components, provided that the activity is not such as to make a new article. In *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 365 U.S. 336 (1961) the Court stated the controlling inquiry governing the replacement of unpatented parts of a patented article:

> reconstruction of a patented entity, comprised of unpatented elements, is limited to such a true reconstruction of the entity as to "in fact make a new article," after the entity, viewed as a whole, has become spent. . . . Mere replacement of individual unpatented parts, one at a time, whether of the sane part repeatedly or different parts successively, is no more than the lawful right of the owner to repair his property.

Id. at 346 (citations omitted).

As illustrated in *Aro Manufacturing*, and as acknowledged by the district court, the concept of permissible "repair" is directed primarily to the replacement of broken or worn parts. However, permissible "repair" also includes replacement of parts that are neither broken nor worn. When a device or substantial parts thereof are not reconstructed, or a condition of sale is not violated, the law does not prevent the purchaser of a patented device from prematurely replacing an unpatented part. *See Kendall Co. v. Progressive Medical Technology, Inc.*, 85 F.3d 1570, 38 USPQ2d 1917 (Fed. Cir. 1996) (replacement of the

unpatented sleeves of a patented medical device, before the sleeves were spent, was of the nature of repair, not reconstruction). "Premature repair is the business of the purchaser of the product, who owns it, rather than the patentee, who sold it." *Id.* at 1575, 38 USPQ2d at 1921.

Precedent amply supports the right of a purchaser of a patented device to do more than simply replace spent or broken parts. *See, e.g., Wilbur-Ellis Co. v. Kuther*, 377 U.S. 422, 425, 141 USPQ 703, 704-05 (1964) ("Petitioners in adapting the old machines to a related use were doing more than repair in the customary sense; but what they did was kin to repair for it bore on the useful capacity of the old combination, on which the royalty had been paid."); *Hewlett-Packard Co. v. Repeat-O-Type Stencil Mfg. Corp.*, 123 F.3d 1445, 1452, 43 USPQ2d 1650, 1657 (Fed. Cir. 1997) ("ROT's modification of the original HP cartridges improved their usefulness by allowing ROT and its customers to use them for their own purposes. It was 'kin to repair.'").

Fin Control argues that while precedent permits the owner of a patented device to modify its component parts to extend the useful life of the device, it does not permit the owner to change entirely an important part of the device, even for reasons of safety. However, the right to replace or modify a part of a patented device does not require that the part be spent or broken. Infringement liability depends on the extent of the change, not its purpose. *See Mitchell v. Hawley*, 83 U.S. (16 Wall.) 544, 548 (1872) (when the sale of a patented article "is absolute, and without any conditions, the rule is well settled that the purchaser may continue to use the implement or machine purchased until it is worn out, or he may repair it or improve upon it as he pleases, in [the] same manner as if dealing with property of any other kind."). The right of "repair" follows from the exhaustion of a patentee's right to control the disposition of a patented article after it has been sold. The owner may use, repair, and

modify the device as long as there is not "reconstruction of the entity as to 'in fact make a new article.'" *Aro Manufacturing*, 365 U.S. at 346. Although extension of the useful life of an article is the usual reason for modification or replacement of component parts, it is not the only reason allowed by law. Thus the purchaser of a Fin Control surfboard may choose to replace the fins, although the original unpatented fins are not broken or spent, without incurring liability for patent infringement. The patented surf craft is not "recreated" by the substitution of a different set of fins, even when the new fins are specifically adapted for use in the patented combination. As a matter of law, on the undisputed facts, the patent is not infringed by the modified surf craft having the Surfco fins. Thus Surfco's sale of replacement fins does not constitute inducement of infringement or contributory infringement.

Conclusion

The summary judgment in favor of Fin Control is reversed, and the injunction vacated. Summary judgment in favor of Surfco is granted, as a matter of law.

Surfco's appeal of the district court's claim construction is mooted, and has not been considered.

No costs.

REVERSED

Supreme Court, U.S.
FILED
JAN 7 2002
CLERK

No. 01-863

In The

Supreme Court of the United States

FIN CONTROL SYSTEMS PTY., LTD.,

Petitioner,

v.

SURFCO HAWAII,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION FOR RESPONDENT SURFCO HAWAII

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Question Presented For Review

1. Where patent claims cover only a combination of four elements, can one, relatively inexpensive, element of that combination be sold to legitimate owners of the patented combination without infringing the patent in view of the repair and reconstruction doctrine set forth in *Wilbur-Ellis Co. v Kuther*, 377 U.S. 422, 84 S. Ct. 1561, 141 USPQ 703 (1964) and *Aro Manufacturing Co., Inc. v Convertible Top Replacement Co., Inc.*, 365 U.S. 336, 81 S. Ct. 599, 128 USPQ 354 (1961)?

List of Parties Under Rule 14.1(b)

The names of all parties in the court whose judgment is sought to be reviewed appear in the caption of this Brief in Opposition to Petition for Writ of Certiorari.

Corporate Disclosure Statement Under Rule 29.6

Respondent Surfco Hawaii ("Surfco") is not owned by a parent corporation, nor does any public company own at least 10% of Surfco.

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BRIEF IN OPPOSITION

Respondent, Surfco Hawaii ("Surfco"), respectfully submits this Brief in Opposition to the Petition for a Writ of Certiorari of petitioner Fin Control Systems Pty., Ltd. ("FCS").

The Federal Circuit Court of Appeals at 264 F.3d 1062 (2001) reversed a district court decision of summary judgment for FCS and found that Surfco was entitled to a summary judgment of non-infringement determination since Surfco's activities with respect to the sale of surfboard fins were permissible repair under *Aro Manufacturing Co., Inc. v Convertible Top Replacement Co., Inc.*, 365 U.S. 336, 367, 81 S. Ct. 599, 128 USPQ 354, 367 (1961), and other precedent of this Court and the Federal Circuit. The Federal Circuit subsequently denied FCS's petition for rehearing, and suggestion for rehearing *en banc*

STATEMENT OF THE CASE

Respondent Surfco disagrees with the Statement of the Case set out by petitioner in that it is slanted and incomplete, and therefore Surfco hereby submits its Statement in Opposition.

FCS is the owner of U.S. patents 5,328,397, 5,464,359, and 5,672,081. All of those patents relate to and claim a surfboard with a removable fin system. Removable fin systems, such as shown in the Mizel prior art patent of record in the FCS patents, allow fins to be removed for ease of transport of the board (so that the fins aren't damaged, and do not damage other things that they might come in contact with), and to easily change the fins on the board.

All of the claims of the FCS patents call for at least four components, a surfboard, a plug, a fin, and screws; FCS has no patent on a fin itself. FCS had every opportunity to present claims to the fin *per se* before the Patent & Trademark Office, but chose not to do so, perhaps because it knew such claims would not be patentable over the prior art.

That is, all of the independent claims of the FCS patents call for [using the reference numerals in the patents, Figure 6 of which, as well as a schematic perspective view of an exemplary surfboard with three fins, are reproduced on the next page] four different elements, labeled (a)-(d) below:

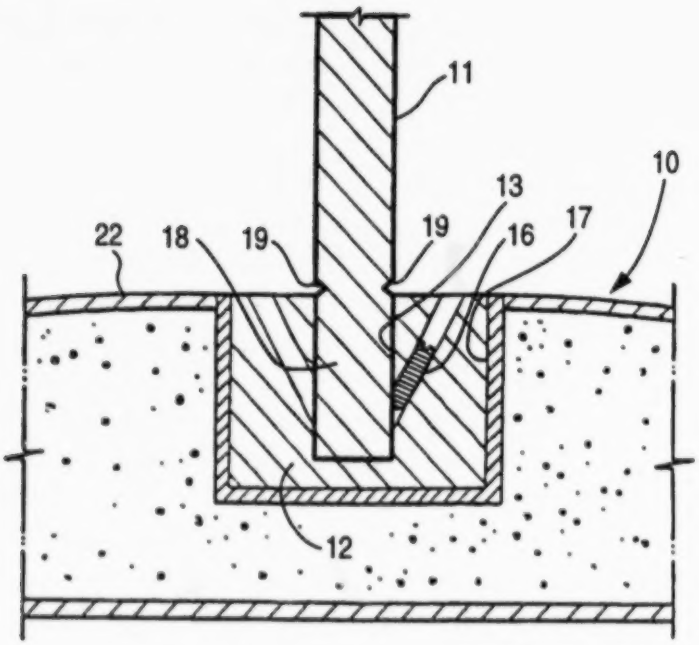
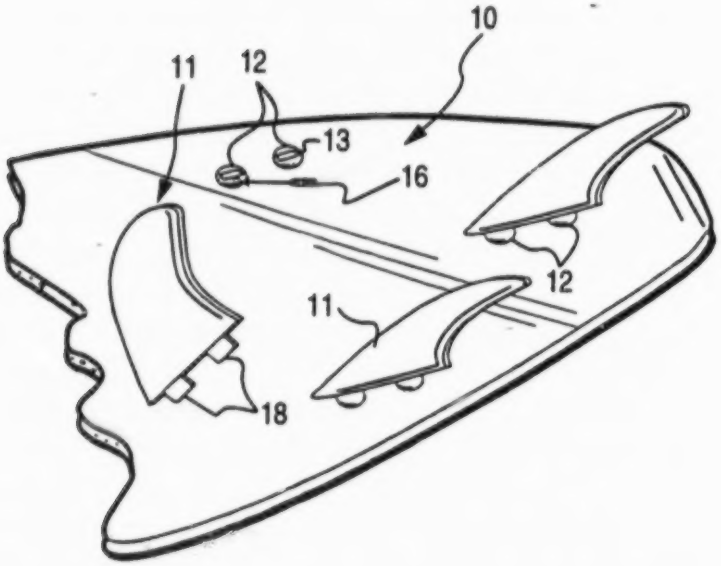


FIG. 6



(a) A surf craft/surfboard 10. (b) At least one fixing element (plug) 12 embedded in the surfboard 10 (adhesively secured within a hole 17). A fixing aperture (slot) 13 in the plug 12. (c) A fin 11 attached to the surfboard 10 and having an end surface (see the perspective drawing on the previous page) abutting against the surfboard body. At least one integrally formed fixing formation (tab) 18 on the fin 11 disposed within the slot 13. And (d) releasable engagement means (grub screws) 16 for locking the tab 18 within the aperture 13.

Surfco sells, in the aftermarket, fins with tabs that will fit in the slots 13 in the plugs 12 of surfboards 10 having the FCS system. The Surfco fins have a flexible material edge around the exposed (normally hard and sharp) part of the fin, rendering them much safer than conventional fins, and in some cases, for some surfers, improving performance.

Surfco sells its fins in the aftermarket under the trademark "PRO TECK." The sales are to surfboard owners who purchased the patented combination, without any restrictions, from FCS or its authorized agents. The surfboard owners might replace their surfboard fins for any reason (such as if the original fins have worn out or are broken or damaged, or to improve the safety and/or performance of the boards) with one or more Surfco fins. Surfco and FCS fins can be, and have been, used on the same surfboard

Surfco does not sell the fins at issue to surfboard manufacturers for use in place of FCS fins on new surfboards.

Surfco does not sell surfboards (10), fixing elements (plugs 12) for positioning within the surfboard so that the fins (11) engage the body of the surfboard, nor releasable engagement means (grub screws 16). Surfboards are much more expensive than fins. The entire conventional combination of six FCS plugs, screws, and three fins costs $22-$23 wholesale, while a surfboard costs about $350-$600.

FCS sells replacement fins (including single replacement fins) in the aftermarket, and also sells replacement grub screws in the aftermarket. FCS contemplates – and states in its patents, and advertising literature – that replacement fins will be used to replace damaged or worn fins on surfboards having the FCS system, or to change the performance characteristics of the surfboard whether or not the original fins have been worn out or broken.

SUMMARY OF ARGUMENT

This case has no general applicability, and for that reason alone there is no reason to grant *certiorari*. This Court clearly set forth the general law regarding the repair and reconstruction doctrine in *Wilbur-Ellis Co. v Kuther*, 377 U.S. 422, 424, 425, 84 S. Ct. 1561, 141 USPQ 703 (1964) and *Aro Manufacturing Co., Inc. v Convertible Top Replacement Co., Inc.*, 365 U.S. 336, 367, 81 S. Ct. 599, 128 USPQ 354, 367 (1961), and it requires no amplification.

This Court also should not grant *certiorari* because there is no error in the Federal Circuit's decision. That decision was entirely proper under the precedents.

FCS's first question presented for review is slanted, and incorrect. There is no historical basis for FCS's

assertion that a part of a claimed combination must be broken or spent before there is permissible "repair" under the law, as made clear by both *Wilbur-Ellis* and *Aro*.

FCS's second question presented for review is completely inappropriate. *Dawson Chemical Co. v Rohm & Haas Co.*, 448 U. S. 176, 109 S. Ct. 2601 (1980) has no relationship to the repair and reconstruction doctrine, as made clear by *Dawson* itself. Further, there is not even a tangentially relevant factual or legal relationship between *Dawson* and this case.

The only legitimate question for review is: Where patent claims cover only a combination of four elements, can one relatively inexpensive element of that combination be sold to legitimate owners of the patented combination without infringing the patent, in view of the repair and reconstruction doctrine? The only correct answer to that question consistent with this Court's precedent is YES. Therefore, the opinion of the Federal Circuit is entirely correct, and there is no reason to grant *certiorari*.

ARGUMENT

I. THIS CASE HAS NO GENERAL APPLICABILITY, AND FOR THAT REASON ALONE THERE IS NO REASON TO GRANT *CERTIORARI*

This Court's recent history in deciding whether or not to grant *certiorari* in patent cases clearly indicates a consideration of the general applicability of the case to the real world, at least a perceived departure from precedent, and the significance of the legal issues involved to patent owners and those engaged in commerce. For example, the Federal Circuit *en banc* decisions dealt with in *Warner-Jenkinson*

Co. v Hilton Davis Chemical Co., 520 U.S. 17, 117 S. Ct. 1040, 137 L.Ed.2d 146, 41 USPQ2d 1865 (1997) and *Markman v Westview Instruments*, 517 U.S. 370, 118 S.Ct. 1384, 134 L.Ed.2d 577, 38 USPQ2d 1461 (1996) clearly had significant applicability to the real world, dealt with important legal issues, and involved at least a perceived departure from precedent. Just as clearly, none of those factors exist here.

This case merely involves a situation where the law, already clear from this Court's decisions in *Wilbur-Ellis* and *Aro*, was applied to a specific factual situation. The essence of the factual situation included the sale in the aftermarket, to legitimate unrestricted owners of the patented combination, one relatively inexpensive element of the four elements of the combination.

This case is not of general significance in importance or effect. The last repair and reconstruction case before this Court was *Wilbur-Ellis v Kuther*, more than 35 years ago. Despite a fair number of repair and reconstruction decisions by the Federal Circuit since then[1] – all (as here) merely applied clear legal precedent to specific factual situations. *Certiorari* has not been granted in any such case (either because the parties knew enough not to ask, or *certiorari* was denied). In fact, in the Federal Circuit decision most highlighted by FCS [*Hewlett-Packard Co. v Repeat-O-Type Stencil Mfg. Co.*, 123 F.3d 1445 (1997)] *certiorari* was denied[2]. There is no reason for that to change here.

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[1] See the incomplete listing in *Jazz Photo et al v ITC*, 264 F.3d 1094, 1103-5 (Fed Cir 2001).

[2] The petition for *certiorari* was filed Jan. 23, 1998 at 66 U.S.L.W. 3509 (Dkt. 97-1226) and denied March 23, 1998.

The Federal Circuit merely applied the long-existing precedent of this Court in *Wilbur-Ellis*, *Aro*, and *Mitchell v Hawley*, 83 U. S. (16 Wall) 544 (1872) in rendering its decision in this case. There was nothing complicated, unusual, or with far-flung consequences. According to the public record, not even one judge of the Federal Circuit considered this case worthy of a hearing *en banc*, nor did even one Federal Circuit judge consider it to comprise anything other than a straightforward application of existing law.

FCS's assertion that the Federal Circuit departed from long-established precedent by finding for the first time that an element of a patented combination must be worn or broken before there is permissible repair, is clearly contradicted by the Supreme Court cases cited above. The following quote from *Wilbur-Ellis* (377 U. S. 425) is dispositive: "The adaptation made in the six nonpatented elements improved the usefulness of those machines[3]. That does not, however, make the adaptation 'reconstruction' within the meaning of the cases." Further, *Aro* (365 U. S. 346, 81 S. Ct. 604) holds that "reconstruction of a patented entity, comprised of unpatented elements, is limited to such a true reconstruction of the entity as to 'in fact make a whole new article,' after the entity, viewed as a whole, has become spent. In order to call the monopoly, conferred by the patent grant, into play for a second time, it must, indeed, be a second creation of the patented device. Mere replacement of individual unpatented parts [this does not say broken or spent individual parts], one at a time, whether of the same part repeatedly or different parts successively, is no more than the

[3] Just as the Surfco fins improved the usefulness of the patented surfboard combination by making it safer and, for some surfers in some circumstances, perform better.

lawful right of the owner to repair his property." (bracketed material and emphasis added).

Those seeking patents are not helpless to avoid the clear effect of this Court's precedent regarding the repair doctrine. All a patent owner need do is obtain a patent on the essential elements *per se* of the combination, and/or restrict the sale of the patented combination to overcome the general rule set forth in *Mitchell v Hawley, supra*[4]. FCS did neither here. For this reason alone *certiorari* should be denied.

II. THIS COURT ALSO SHOULD NOT GRANT *CERTIORARI* BECAUSE THERE IS NO ERROR IN THE FEDERAL CIRCUIT'S DECISION; THAT IS, THE DECISION WAS ENTIRELY PROPER UNDER THE PRECEDENTS

There was no dissent by a member of the Federal Circuit panel (which included the Chief Judge) in this case, and it was clear from the decision that the members of the panel considered this a very simple and straightforward case. Nor is there any indication in the public record that even one judge of the Federal Circuit considered the panel's decision in any way erroneous.

As also discussed above, this Court's decisions in *Aro* and *Wilbur-Ellis* are directly on point here, and unequivocally support the analysis in the paragraph bridging pages 6 and 7 [Appendix B-6, 7] of the Federal Circuit's decision. *Wilbur-Ellis* in particular makes it clear that as a

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[4] Namely that absent explicit conditions to the contrary the sale is absolute and the purchaser "may continue to use the implement or machine purchased until it is worn out, or he may repair it or improve upon it as he pleases" [83 U. S. 548] (emphasis added).

matter of law the term of art "repair" does not require that an individual component of a patented combination be "broken" or "unusable." Neither *Wilbur-Ellis*, nor the Federal Circuit decisions that FCS quotes in its petition, are specifically restricted to the facts therein. Rather, they all stand for the general proposition that there simply is no requirement – nor has there ever been any requirement[5] – in the law for a part of a patented combination to be broken or completely unusable before it can legitimately be replaced.

Since there is nothing legally incorrect or inequitable about the Federal Circuit's decision, for this reason too *certiorari* should be denied.

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[5] FCS apparently cannot see the consistency between *Lummus Industries, Inc. v D. M. & E. Corp.*, 862 F.2d 267 (Fed Cir 1988) and this case that was clearly recognized by Judge Newman when authoring the decision here. *Lummus* involved a situation where a claim had only three elements, a cutting assembly, a reel, and a roller. The cutting assembly and the reel were sold by the defendant (862 F.2d at 269). That is, two out of three, and by far the most expensive components of the claimed combination, were sold by the defendant. The defendant had failed to object to a number of jury instructions. One of the jury instructions – at 862 F.2d 270 – was merely reviewed for a determination as to whether there was "a fundamental legal error." The *Lummus* decision merely means that the Federal Circuit could not say, in the context of the *Lummus* situation, that there was an issue of "fundamental legal error" in that jury instruction. There was no finding that the instruction was correct generally.

III. FCS'S FIRST QUESTION PRESENTED FOR REVIEW IS SLANTED, AND INCORRECT. THERE IS NO HISTORICAL BASIS FOR FCS'S ASSERTION THAT A PART OF A CLAIMED COMBINATION MUST BE BROKEN OR SPENT BEFORE THERE IS PERMISSIBLE "REPAIR" UNDER THE LAW, AS MADE CLEAR BY BOTH *WILBUR-ELLIS* AND *ARO*.

The portions of *Wilbur-Ellis* and *Aro* quoted above, as well as those entire decisions, make it clear that there never was a legitimate holding that an element of a claimed combination must be broken or completely worn out before it can be replaced without an inappropriate reconstruction. There is nothing to the contrary in *Wilson v Simpson*, 50 U. S. (9 How.) 109 (1850)[6]. All *Wilson* did was to set forth situations where the repair doctrine clearly applied. It made no attempt to set forth the minimum boundaries of reconstruction (which was subsequently done in *Aro*, as quoted above). That is, in *Wilson* this Court simply distinguished the right of a purchaser of a patented planing machine to replace the machine's cutting-knives when they became dull or broken, from the patentee's sole right to make or renew the entire machine. This Court observed "what harm is done to the patentee in the use of his right of invention, when the repair and replacement of a partial injury are confined to the machine which the purchaser has bought?" *Id.* at 123. Thus *Wilson*, especially when read with the *Aro* and *Wilbur-Ellis* cases decided more than a century later, clearly supports the Federal Circuit's determination in this case.

This Court has never held that the repair doctrine can be invoked only when a part of the patented combination is

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[6] Not "1950" as stated in FCS's petition.

broken or completely spent – therefore, the whole premise behind FCS's first question is fallacious.

IV. FCS'S SECOND QUESTION PRESENTED FOR REVIEW IS COMPLETELY INAPPROPRIATE SINCE *DAWSON* HAS NO RELATIONSHIP TO THE REPAIR AND RECONSTRUCTION DOCTRINE, AND SINCE THERE IS NOT EVEN A TANGENTIALLY RELEVANT FACTUAL RELATIONSHIP BETWEEN *DAWSON* AND THIS CASE

FCS's reliance on *Dawson* is misplaced, as *Dawson* itself makes clear. At 448 U.S. 220, in *Dawson* this Court specifically distinguished between the 271(d) situation there and the repair/reconstruction doctrine here, as follows:

> "Perhaps the quintessential difference between the Aro decisions and the present case is the difference between the primary-use market for a chemical process and the replacement market out of which the Aro litigation arose. The repair-reconstruction distinction and its legal consequences are determinative in the latter context, but are not controlling here. Instead, the staple-nonstaple distinction, which Aro I found irrelevant to the characterization of replacements, supplies the controlling benchmark. This distinction ensures that the patentee's right to prevent others from contributorily infringing his patent affects only the market for the invention itself. Because of this significant difference in legal context, we believe our interpretation of 271 (d) does not conflict with these decisions."

All that *Dawson* says is that 35 USC §271 would preclude – with respect to FCS's patents – Surfco from selling its fins to new surfboard manufacturers who, in constructing the claimed surfboard combination, utilized the fins (with FCS plugs and screws, on new original equipment surfboards) as part of the patented combination. But that positively is irrelevant to this case because Surfco does not sell its fins to surfboard manufacturers, but only in the aftermarket. Therefore, FCS's multiple references to *Dawson, supra*, and other discussions of contributory infringement, are totally irrelevant to this case, and the passage of 35 USC §271(d) had absolutely no affect on the validity or vitality of the law of repair/reconstruction.

Further, there are numerous other legal and factual distinctions between *Dawson* and this repair/reconstruction case that make 35 U.S.C. 271(d) and *Dawson* irrelevant to any consideration here.

Dawson is irrelevant because it relates only to the relationship between patent misuse and contributory infringement (it has nothing to do with the repair and reconstruction doctrine). *Dawson* makes no statement, nor does it in any way imply, that the law of repair and reconstruction has changed after the passage of the "new" patent statute in 1952 [a comparison of the 1896 *Thomson-Houston Electric Co. v Kelsey Electric Railway Specialty Co.*, 75 F. 1005 (2nd Cir 1896) case with the 1964 *Wilbur-Ellis* case makes it clear that there was no change]. Also, *Dawson* does not in any way disturb *Wilbur-Ellis*, or *Aro* (as the quote above makes clear).

Additionally, *Dawson* has no relationship whatsoever to the present situation because in *Dawson* the use of a method with a particular chemical was involved. The only people who were licensed to use the patented method were

those who purchased the chemical necessary in its use. That is, the patent owner did not "sell" the right to use the method to others. Rather the patent owner only allowed the others to use the method if they purchased the chemical from the patent owner. To the contrary, here the purchasers of surfboards with the FCS system got the entire rights thereto, and it is undisputed that the owners of the surfboards with the FCS system purchased them from a manufacturer authorized by FCS.

FCS implies (and in fact argued to the Federal Circuit) that the *Leeds & Catlin Co. v Victor Talking Machine Co.*, 213 U.S. 325, 336 (1909) case is good law, having been recognized in *Dawson* as revived by the passage of the 1952 Patent Act. But *Leeds & Catlin* is not good law. This Court in *Dawson* did not say that 35 USC §271 revived *Leeds & Catlin*, only that one person testifying before Congress was of the opinion that it would. Further, the 1909 *Leeds & Catlin* decision is irrelevant here when compared to the 1964 *Wilbur-Ellis* case. Leeds & Catlin's statement (213 U.S. at 336) that "the license granted to a purchaser of a patented combination is [only] to preserve its fitness for use" (bracketed material added) is specifically contradicted by *Wilbur-Ellis* (377 U.S. at 425). In *Wilbur-Ellis*, changing the size of components of the patented machine did not only preserve its fitness for use, but also improved the machine by allowing it to perform new functions (recognized as appropriate since at least the time of *Mitchell v Hawley*).

Therefore, the *Dawson* case is irrelevant and provides no basis for a grant of *certiorari* here.

V. CONCLUSION

The only legitimate question for review is the actual situation here (which is all that was decided by the Federal Circuit), namely:

> Where patent claims cover only a combination of four elements, can one relatively inexpensive element of that combination be sold to legitimate owners of the patented combination without infringing the patent, in view of the repair and reconstruction doctrine?

The only proper answer to that question consistent with this Court's precedent is YES. Therefore, the opinion of the Federal Circuit is entirely correct. If FCS wanted to preclude those in commerce from improving upon its fins to make them safer, FCS should have gotten a patent on the fins *per se*. Since it did not, it has no legitimate complaint now.

Early denial of the Petition for Writ of Certiorari is respectfully requested.

Respectfully submitted,

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Supreme Court, U.S.
FILED
MAY 22 2002
OFFICE OF THE CLERK

(3)

No. 01-863

In the Supreme Court of the United States

FIN CONTROL SYSTEMS PTY, LTD., PETITIONER

v.

SURFCO HAWAII

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE SUPPORTING RESPONDENT

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QUESTION PRESENTED

Whether a person that sells a replacement part for a patented invention is liable for contributory patent infringement if the part is used, without permission of the patentee, to replace an unpatented working part of the invention.

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BRIEF FOR THE UNITED STATES AS AMICUS CURIAE SUPPORTING RESPONDENT

This brief is submitted in response to the order of the Court inviting the Solicitor General to express the views of the United States.

STATEMENT

Petitioner Fin Control Systems Pty, Ltd. (FCS) is the owner of patents on a surf craft with a removable fin system. FCS complained that respondent Surfco Hawaii's (Surfco) sale of replacement surfboard fins infringes FCS's patents. In response, Surfco brought this action for a declaratory judgment of noninfringement, and FCS counterclaimed for a judgment of infringement. The United States District Court for the District of Hawaii granted FCS's cross-motion for summary judgment, holding that Surfco's actions infringed

FCS's patents. Pet. App. A1-A21. The court of appeals reversed the district court's judgment, holding that Surfco's actions do not infringe because they do not result in a reconstruction of the patented invention. *Id.* at B1-B7.

1. The United States patent laws provide that "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent." 35 U.S.C. 101. The patent grants "the right to exclude others from making, using, offering for sale, or selling the invention." 35 U.S.C. 154(a)(1). A person is liable for infringement of a patent if that person "without authority makes, uses, offers to sell, or sells any patented invention." 35 U.S.C. 271(a) (Supp. V 1999).

In 1952, Congress amended the patent laws to define contributory patent infringement. Section 271(b) provides that "[w]hoever actively induces infringement of a patent shall be liable as an infringer." 35 U.S.C. 271(b). Section 271(c) states: "[w]hoever offers to sell * * * a component of a patented machine * * * constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer." 35 U.S.C. 271(c) (Supp. V 1999).

2. FCS owns three U.S. patents. Pet. App. A1-A2 (U.S. Patent Nos. 5,328,397, 5,464,359, and 5,672,081). The patents cover a surf craft and a fin and plug combination that fits into the body of the surf craft. See *id.* at A2, B2-B3. The plug has openings for receiving screws that allow users to secure or replace the fins. See *ibid.* FCS licenses its invention to surfboard

manufacturers and sells replacement fins directly to surfboard owners. See *ibid.* The capacity to remove and replace a surfboard's fins allows the owner to replace broken fins without purchasing a new board, to replace the fins with new fins for performance-related reasons, and to remove the fins to make transportation less cumbersome. See *ibid.*

Surfco sells to surfboard owners replacement fins for the FCS, as well as other, removable fin systems. See Pet. A2, B3; see also http://www.surfcohawaii.com. Surfco claims that the rubber edge of its fins provides improved safety and performance over other fins. See *id.* at B3; see also Br. in Opp. 4. Although Surfco sells a variety of surfing equipment, Surfco states that it does not sell surfboards and that it does not sell the fins at issue here to surfboard manufacturers for use in place of FCS fins on new surfboards. *Id.* at 4-5.

3. FCS complained that Surfco is engaged in contributory infringement of FCS's patents, and Surfco filed this declaratory action for noninfringement. Surfco argued that customers who purchase a surfboard with a removable fin system are entitled to repair or improve any part of the surfboard, including the fins, so long as they do not "make" a new surfboard. FCS counterclaimed for inducement of infringement and contributory infringement, arguing that the case law of this Court and the Federal Circuit prohibits owners of patented products from replacing working parts of the invention. Both parties moved for summary judgment. See Pet. App. A2, B3.

The district court granted FCS's motion, holding that surf craft owners infringe FCS's patents when they replace the original fins with Surfco's fins. The court began by noting an area of agreement: "There is no question that surfboard owners are legally entitled to

buy [Surfco's] fins to replace worn or broken FCS fins." Pet. App. A4. The district court concluded, however, that "[a]s a general rule, the replacement of an *unworn* component of a patented combination is an impermissible reconstruction." *Id.* at A5 (emphasis added). The court acknowledged an exception to that rule that permits "the owner of a patented combination [to] modify its existing elements to lengthen its useful life," but found that the exception "does not describe what Surfco is doing here." *Id.* at A6. Thus, because the "record makes clear that Surfco contemplated the replacement of unworn FCS fins with [Surfco's] fins," surfboard owners infringed FCS's patent by using Surfco's fins. *Id.* at A7. Accordingly, the court held that Surfco was liable for inducement of infringement and for contributory infringement. *Ibid.*

4. The court of appeals reversed. Pet. App. B1-B7. The court of appeals rejected the district court's view of the case law, stating that "[p]recedent amply supports the right of a purchaser of a patented device to do more than simply replace spent or broken parts." *Id.* at B6. The court of appeals recognized that "extension of the useful life of an article is the usual reason for modification or replacement of component parts." *Id.* at B7. The court reasoned, however, that the "right of 'repair' follows from the exhaustion of a patentee's right to control the disposition of a patented article after it has been sold." *Id.* at B6. Accordingly, "[t]he owner may use, repair, and modify the device as long as there is not reconstruction of the entity as to in fact make a new article." *Id.* at B6-B7 (internal quotation marks omitted). Here, "[t]he patented surf craft is not 'recreated' by the substitution of a different set of fins." *Id.* at B7. The court of appeals accordingly ruled that surfboard owners do not infringe FCS's patents by replacing

FCS's fins with fins purchased from Surfco. *Ibid.* Because the surfboard owners can permissibly use Surfco's fins, the court held that Surfco's sale of its fins does not constitute inducement of infringement or contributory infringement. *Ibid.*

DISCUSSION

The court of appeals correctly concluded that Surfco's sale of replacement surfboard fins facilitates a permissible modification of the surfboard owner's property and does not infringe FCS's patents for a surf craft with a removable fin system. That fact-based decision is correct and is not in conflict with any decision of this Court, with any other Federal Circuit decision, or with any decision of any other court of appeals. Further review by this Court is not warranted.

1. The court of appeals correctly concluded that the owner of a patented product may replace parts without permission of the patentee so long as the owner does not remake the patented product. The purchaser of a patented article has the rights of any owner of personal property. *Mitchell* v. *Hawley*, 83 U.S. (16 Wall.) 544, 548 (1872). Thus, "the rule is well settled that the purchaser may continue to use the implement or machine purchased until it is worn out, or he may repair it or *improve upon it as he pleases*." *Ibid.* (emphasis added). The right to repair or improve a patented product that one owns derives from the longstanding principle of federal patent law that an unrestricted first sale of a patented article "exhausts the monopoly in that article and the patentee may not thereafter, by virtue of his patent, control the use or disposition of the article." *United States* v. *Univis Lens Co.*, 316 U.S. 241, 250 (1942). The rationale for that rule of exhaustion is clear: Once the inventor sells an article embodying the

patented invention, he has received the financial reward that the patent laws assure him. *Id.* at 251.

As the court of appeals recognized, this Court's decision in *Aro Manufacturing Co.* v. *Convertible Top Replacement Co.*, 365 U.S. 336 (1961), sets out the "controlling inquiry" in this case. The Court ruled in that case that the purchaser of an automobile is permitted to replace worn top fabric with fabric manufactured by third-parties, stating the following "plain and practical test": "'The [patent] monopolist cannot prevent those to whom he sells from . . . reconditioning articles worn by use, unless they in fact make a new article.'" *Id.* at 343 (quoting *United States* v. *Aluminum Co. of Am.*, 148 F.2d 416, 425 (2d Cir. 1945) (L. Hand, J.)). "Mere replacement of individual unpatented parts, one at a time, whether of the same part repeatedly or of different parts successively, is no more than the lawful right of the owner to repair his property." *Aro Mfg.*, 365 U.S. at 346; see *Leeds & Catlin Co.* v. *Victor Talking Mach. Co.*, 213 U.S. 301, 336 (1909) (purchasers of a patented product may "preserve its fitness for use so far as it may be affected by wear or breakage."); *Wilson* v. *Simpson*, 50 U.S. (9 How.) 109 (1850) (purchaser of a patented planing machine may replace worn knives without the patentee's consent).

In this case, the court of appeals correctly concluded that an owner of a patented device, in this case a surfboard with a fin-replacement system, may likewise replace an unbroken part without permission of petitioner. FCS, having received payment from the sale of the product it patented, has ceded authority to the purchaser to "improve upon it as he pleases." *Mitchell*, 83 U.S. (16 Wall.) at 548. The purchaser may make changes to improve the utility of the device so long as the purchaser does not make a "new article" that

infringes the original (or any other) patent. *Aro Mfg.*, 365 U.S. at 346. As the court of appeals recognized, the "patented surf craft is not 'recreated' by the substitution of a different set of fins." Pet. App. B7. Accordingly, there is no infringement of FCS's patents by the surfboard owner (and thus, necessarily, no contributory infringement by Surfco) because there is no new making of the patented invention. See *Wilbur-Ellis Co.* v. *Kuther*, 377 U.S. 422, 425 (1964) (the purchaser of patented fish-canning machines may resize the machines to pack different cans because the adaptation "improved the usefulness of these machines" and was not a "'reconstruction'" of the patented device).

FCS is mistaken in its contention (Pet. 7-13) that the owner of a patented product may not replace working parts without permission of the patentee. As the court of appeals recognized (Pet. App. B7), the ordinary reason for replacing a part of a product is that the part is worn or broken while the rest of the product remains in good working order. But an owner of a product can do more than "repair" it. As discussed above, once the patent owner sells the invention, the purchaser can not only repair the product, but can do anything – use it, improve it, modify it, sell it – short of reconstructing a new product. Pet. App. B6-B7.

Indeed, adopting petitioner's proposed rule would result in a marked departure from current commercial understandings and practices. As Justice Black noted in *Aro Manufacturing*, the small businesses that manufacture the "comparatively smaller parts of larger products" for the "replacement" market are of "great importance in our competitive economy." 365 U.S. at 357 (Black, J., concurring). Consumers routinely customize a wide variety of products, ranging from automobiles to computer equipment, by replacing unworn

elements with preferred substitutes. Those actions do not infringe on the patents that pertain to the original products. Yet under petitioner's proposed rule, those activities would be forbidden in the absence of the patentee's consent.

In this case, there is no serious argument that the surfboard owners who replace the fins are recreating the patented invention—a surfboard with a fin-replacement system. If replacing a fin remakes the surf craft, then replacing even a broken fin would be prohibited because only the patentee has the right to make the invention. But as the district court noted, "[t]here is no question that surfboard owners are legally entitled to buy [respondent's] fins to replace worn or broken [petitioner] fins." Pet. App. A4. Because it is undisputed that owners can replace broken fins, replacing fins cannot amount to remaking FCS's surf craft with a fin-replacement system. And because any activity short of remaking the patented invention is permitted, there is no requirement that the fin stop working before it can be replaced.

It necessarily follows that Surfco's sale of replacement fins to the owners for that purpose cannot constitute contributory infringement, for there can be no contributory infringement in the absence of direct infringement. See 35 U.S.C. 271(c) (Supp. V 1999). Indeed, rather than competing in the market for the patented surf craft, Surfco's provision of replacement parts with a customizing potential may well augment the desirability of the patented product to some potential purchasers.

2. Contrary to FCS's claims (Pet. 13-16), the court of appeals' decision here is in harmony with established case law, including the Federal Circuit's precedents. For example, in *Hewlett-Packard Co.* v. *Repeat-O-Type*

Stencil Manufacturing Corp., 123 F.3d 1445, 1452 (Fed. Cir. 1997), cert. denied, 523 U.S. 1022 (1998), purchasers of patented printer cartridges changed the way the cap connected to the rest of the cartridge so that consumers could refill them with ink. In rejecting a claim of patent infringement, the court of appeals agreed that the modification "is not conventional repair" because the cartridge worked prior to the modification. *Id.* at 1452. Nevertheless, the court concluded that the modification was permissible because it "improved" the cartridges' "usefulness" by allowing "customers to use them for their own purposes." *Ibid.*; see *Kendall Co.* v. *Progressive Med. Tech., Inc.*, 85 F.3d 1570 (Fed. Cir. 1996) (right of repair includes right to replace still-working pressure sleeves of a patented medical device).

Hewlett-Packard provides an apt analogy to this case. As in *Hewlett-Packard*, the modification in this case—replacing the unpatented fin—"is not conventional repair" in instances in which the part is not broken. But "neither is [the purchaser's] modification a 'reconstruction' of the patented [invention]" because, as the court of appeals emphasized, only the fin is replaced. Instead, Surfco's fins allow the surfboard owners to improve the surfboard's "usefulness" by allowing "customers to use them for their own purposes." FCS suggests that *Hewlett-Packard* does not permit "[u]nlimited replacement of parts." Pet. 16. But this case involves replacement of *one* part—the fin. It presents no occasion to address the consequences of a more extensive replacement. For example, if this case involved the creation of new surf craft with fin replacement systems from the remnants of irretrievably damaged and discarded surfboards, it would present different questions. Cf. Brief for Federal Cross-Respondents, in *Fuji Photo Film Co.* v. *Jazz Photo*

Corp., No. 01-1376 (discussing the application of repair and reconstruction principles to the refurbishing of disposable cameras).[1]

FCS's reliance (Pet. 16-17) on *Dawson Chemical Co.* v. *Rohm & Haas Co.*, 448 U.S. 176 (1980), is also misplaced. According to FCS, the Court's interpretation in *Dawson* of the patent law's contributory infringement provisions, set out in 35 U.S.C. 271 (1994 & Supp. V 1999) (see p. 2, *supra*), provide FCS with "the right to exclude others from contributorily infringing its patents by selling compatible fins without its authorization." Pet. 17. Petitioner is mistaken. The *Dawson* decision involved a distinctly different situation in which the Court upheld the patent holder's right to maintain a contributory infringement suit in the first-sale, rather than the replacement, market.

In *Dawson*, a chemical manufacturer obtained a patent on a method for applying an unpatented herbicide that had no use except through application under the patented method. The company sold the unpatented herbicide only in conjunction with its patented process. The Court upheld the right of the patent holder to bring a contributory infringement suit against another company that later sold the same herbicide and instructed farmers on how to apply it under the patented method. The Court in *Dawson* specifically distinguished that situation from the situation in *Aro Manufacturing*. See *Dawson*, 448 U.S. at 216-220. In *Dawson*, the dispute arose in the "primary-use market for a chemical process" rather than the "replacement market out of which the *Aro* litigation arose." *Id.* at 220. The Court noted that the distinction is crucial

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[1] We have supplied the parties in this case with a copy of that brief.

because it "ensures that the patentee's right to prevent others from contributorily infringing his patent affects only the market for the invention itself." *Ibid.* "Because of this significant difference in legal context," its "interpretation of § 271(d) does not conflict with [*Aro*]." *Ibid.*

In this case, FCS's effort to control the sale of unpatented fins is not directed toward protecting its patent rights in the "primary-use market" for surf craft with a replaceable fin system, but rather to controlling the "replacement market" for fins. Hence, *Dawson* addresses an explicitly distinguishable situation and does not conflict with the court of appeals' correct application of *Aro Manufacturing* to this case. For the same reason, FCS's reliance (Pet. 19) on cases such as *Preemption Devices, Inc.* v. *Minnesota Mining & Manufacturing Co.*, 803 F.2d 1170, 1173 (Fed. Cir. 1986), and *King Instrument Corp.* v. *Otari Corp.*, 814 F.2d 1560, 1564 (Fed. Cir. 1987), is misplaced. Those cases involve first sales of the patented product. They do not involve sales of replacement parts to parties who have already purchased the patented invention.[2]

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[2] FCS also mistakenly relies (Pet. 18-19) on the dissent in *Everpure, Inc.* v. *Cuno, Inc.*, 875 F.2d 300 (Fed. Cir. 1989), cert. denied, 493 U.S. 853 (1989). In that case, the court of appeals permitted sales of an adaptor that allowed use of third-party filters in a patented filter assembly for purifying water. The dissenting judge (Judge Newman, who wrote the opinion in this case), would have found that the adaptor constituted reconstruction of the filter assembly because it was a "material and complex part of the total claimed invention." *Id.* at 306 (Newman, J., dissenting). But even if that dissent had precedential force, there is no plausible basis for claiming here that the unpatented fin sold by Surfco is a "material and complex" part of FCS's invention.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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MAY 2002